

Inside this issue . . .

- P.2 – Visa Checkout

- P.3 – Industry News

- P.4 – Government Affairs

- P.5 – Millennials Prefer Prepays
– Visa News

- P.6 – Apple Pay and the future of payments

- P.8 – Grow Financial FCU loves their Gift Card Program

- P.10 – 2020 Payments Landscape

- P.11 – Letter from the CEO

Contact Map at:

16000 Christensen Road, Ste 200
Tukwila, Washington 98188

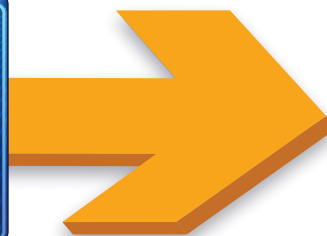
Phone: 1.866.598.0698

Fax: 206.439.0045

Email: info@mapacific.com

www.mapacific.com

Battling Fraud with Tokenization



A recent report by the Mobile Payments Industry Workgroup (MPIW), a joint payments group of the Federal Reserve Banks of Boston and Atlanta, found that tokenization could help instill confidence in the battle against fraud.

Payment tokenization is the process of randomly generating a substitute value to replace sensitive information. This system is being used in financial transactions to mask credit and debit card numbers, improving security.

"The security of mobile payments has always been a top concern and one of the main barriers to widespread adoption of certain mobile and digital payment technologies," said Marianne Crowe, vice president of payment strategies at the Federal Reserve Bank of Boston and chair of the MPIW.

"With the recent introductions of new platforms that use tokenization technologies, including Apple Pay, we are even more

convinced of the need to evaluate the optimal approach to tokenization and determine how the payments industry can better coordinate efforts to protect consumers and businesses alike."

"Tokenization is the single biggest change that's been made in the payment networks easily over the past 15 or 20 years and may be longer," states Visa CEO Charles Scharf. We are entering a new era in payments – reinventing and redefining how consumers and businesses pay and get paid. Apple Pay will make it possible for iPhone 6, iPhone 6 Plus, iPad Air 2 and iPad mini 3 users with Visa cards issued by U.S. financial institutions to make purchases in stores and in app. Visa's new security technology is designed to ensure that Visa payments made via Apple Pay are secure. When paying with Visa through Apple Pay, the account holder's personal account information, including the 16-digit credit or debit card

See Tokenization on page 3

Visa Checkout: *What's in a Name?*

Consumers are already using their Visa cards online in mass numbers – just under 50% of all eCommerce spending in the United States is done with a Visa card. But while eCommerce grows at a steady pace, the online checkout experience continues to be a consumer pain point, with shopping cart abandonment rates as high as 68%. And as screens become smaller, the problem becomes even more pronounced, with 86% of mobile users giving up before checking out.

To enhance the online payment experience, V.me is now “Visa Checkout.” Visa Checkout is designed to bring the ease and security of Visa to the online world by letting customers pay with just a username and password. It’s also an important response to PayPal and Amazon Payments. These online checkout services pose a risk to Visa and card issuers. PayPal actively steers its users toward automated clearing house (ACH) funding. Some 40% to 50% of PayPal transactions are funded via ACH or money already in PayPal accounts. The more transactions that are lost to PayPal and others, the more Visa and card issuers lose interchange revenue. The cost of ACH is also an added expense for a credit union.

For Visa card issuers, Visa Checkout is a cost-free program where the only commitment is completing a Visa Checkout marketing campaign with your members. “The process is pretty straight forward,” said Karl Kaluza, MAP’s vice president of marketing and communication. “It requires working with your marketing team to complete the Marketing Data Sheet” available from MAP. Credit unions begin the process by sending the completed form to Visa, who will work with them to get their card art on Visa Checkout and then build a landing page for them where their members can sign up.

There is a required commitment that the credit union will complete a Visa Checkout marketing campaign. “But the campaign is really easy,” explains Kaluza. “At the most, a credit union needs to add a banner ad to its Web site and complete a direct-email campaign with their members letting them know the CU is now part of Visa Checkout and they can signup directly on the CU’s Web site.”

“Visa is a very, very trusted brand and it’s smart to make it more prominent, and to make it a checkout feature which consumers are very familiar with it because of Amazon and PayPal,” states Nathalie Reinelt, an analyst for Boston-based payments consultancy Aite Group. “It makes it more likely consumers are going to take a look at it and sign up for it.”

“V.me was not very intuitive for consumers,” says Reinelt. “Visa



Checkout as a name is much better, much more representative of what it actually does. From that perspective it was a very smart move on Visa’s part because consumers didn’t necessarily know what [V.me] was and Visa Checkout is much more relevant to the actual functionality that they’re offering. Visa Checkout is now available to nearly four million online merchants across the U.S.

Amanda Pires, Visa’s vice president of communication for emerging markets and innovation, calls Checkout “entirely re-imagined and re-engineered,” saying the main contrast with V.me is increased simplicity for consumers:

- Reducing the number of payment screens to just two, eliminating the need to re-enter shipping and billing addresses.
- For financial institutions and merchants, reduction of time needed for platform integration from months to weeks.
- An intuitive checkout experience to encourage conversion.

Pires adds that the name change followed qualitative and quantitative consumer testing that revealed the name delivered a clear association with Visa’s brand, an easily understood purpose of the product, and decreased the amount of consumer education necessary, something V.me clearly lacked.

“Consumers have so many payment options at checkout,” Reinelt says. “The payment space is tricky; but it’s about giving consumers the option. Having credentials stored with Visa is so much easier for consumers.”

For information about Visa Checkout, please contact Karl Kaluza, karl.kaluza@mapacific.com or 206.787.1618.



Continued from page 1

Tokenization

number, is never stored on the phone or by the merchant. Instead, Visa's token technology generates a unique digital account number which is then used to facilitate the payment.

Digital account numbers are device-specific, meaning they can only be used to make purchases with a specific mobile device or phone. In the case of Apple Pay, if the iPhone is lost or stolen, the digital account number can be disabled without the need to reissue the primary payment card.

"Tokenization is more than new layer of security," states Scharf, "it is a way to insert ourselves into digital commerce in a way that we and our clients control our destiny."

Apple Pay is the first example, but there is series of products that we are going to see in the marketplace that are now possible because of tokenization, including Android and other devices.

Internet device-maker Cisco predicts that by 2020 there will be 50 billion connected devices in the world, which will significantly increase opportunities to enable new commerce experiences with a broad range of phones, wearables, tablets and even cars. The future of payments is about offering new ways to pay and provide a simpler, safer mobile checkout experience, regardless of the device used.

For information about Visa Tokenization Service please contact Mike Reynolds, mike.reynolds@mapacific.com or 206.787.1628.



Visa CEO Charles Scharf at the Visa's "Market One" Innovation Center



Industry News

Consumers Comfortable with QR Codes. A Nielsen report released in September showed that quick response (QR) codes, or bar codes, have emerged as one of the most popular methods of mobile payment. The square shaped code, which was first invented in Japan in 1994, is used to store digital information and is often used in



product packaging, as well as sales and marketing campaigns. Of the 4,000 mobile users surveyed over 45 percent said they prefer QR codes for checkout. Near Field Communication (NFC), which powers Google Wallet and Apple Pay, emerged as the second most popular payment method, with 37 percent of mobile users and 19 percent of tablet users choosing it. The report did show a divide between QR code users, with 29 percent preferring to scan a code at the store and 45 percent preferring to present a code for the cashier to scan.

Little reason to adopt NFC/EMV M-Payments. The biggest obstacle to consumer adoption of NFC/EMV mobile payments over the next 12 months is the lack of a reason for consumers to change from swiping cards, a recent report reveals. According to the survey conducted by the BayPay Forum, a network of payment professionals, nearly half of the respondents (48.4%) felt that the lack of a reason to change was the primary obstacle, with "a lack of understanding about how it works" attributed to nearly a quarter of those surveyed (23.4%). Security concerns ranked third with (12.5%) of the votes. Other reasons included "low perceived value vs. traditional payment methods" (7.8%); "behavioral barriers—unfamiliar actions" (5.5%); and "high cost of new NFC enabled devices" (2.3%).

iPhone 6 breaks sales records. The first weekend for sales of its new iPhones—the 6 and the 6 Plus—moved some 10 million of the larger-screened devices, a record number of an iPhone release.

Mobile Phone users not concerned about security, risk A new study released by the Raytheon and Ponemon Institute reports that 52 percent of organizations admit to having sacrificed security in the name of efficiency, particularly when it comes to mobile connectivity.

Continued on page 7



Fed Banks Propose New, Faster Payment Infrastructure

Federal Reserve Banks are calling for plans to improve the US payment system by infrastructure developments measures which would facilitate real-time payments. Led by Chicago, Cleveland and Minneapolis, the Federal Reserve Banks have been studying the issue and inviting comments, which were then published at the end of last year. These Federal Reserve Banks see a clear need for a new, faster payment infrastructure in the U.S., but without some backing from the Federal Reserve Board in Washington, a new system may have difficulty overcoming the opposition of the nation's largest banks. The Federal Reserve Board doesn't seem interested in getting involved; it referred questions back to the banks. The current system operates on East Coast banking hours – from 8:30 a.m. to 5 p.m. with weekends and holidays off, and payments take several days to occur – that's the "pending" seen when user check their account online to see if a payment has cleared. That means a West Coast firm taking payments after 2:30 on the Friday before Memorial Day won't see the credits until halfway through the next week. The Fed suggests extending the hours and exploring changes required to operate on weekends and/or 24x7.

CFPB announces new Safe Harbor thresholds

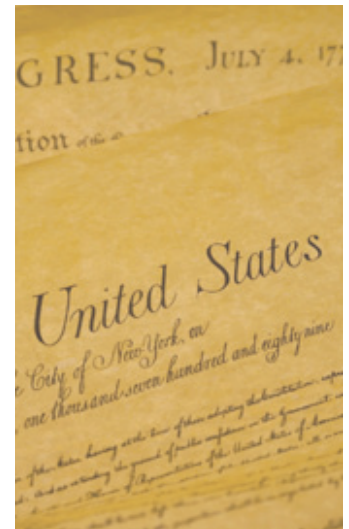
The Consumer Financial Protection Bureau (CFPB) recently published an amendment to the safe harbor thresholds that were first enacted as part of the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009. The Federal Reserve Board implemented rules that limit the amount of Late Fees, Overlimit Fees, and Returned Payment Fees that could be charged to cardholders. The fees were limited to \$25 for a first occurrence and \$35 for subsequent occurrences. As part of the law, the Fed created a mechanism whereby these fees could be examined and modified, based on changes in the Consumer Price Index (CPI). Effective Jan. 1, 2015, the limits on fees will increase to \$27 for a first fee occurrence and \$38 for subsequent occurrences.

New FDIC rules may benefit credit unions

The case for financial institutions to directly issue prepaid debit cards just got stronger. The FDIC's June 5 consent order against The Bancorp Bank requires more regulatory compliance and signals new challenges for prepaid debit card program managers that market their prepaid cards primarily through retailers. Prepaid issuers are facing a heightened level of regulatory scrutiny in order to comply with Bank Secrecy Act rules aimed at stemming anti-money-laundering activities. The FDIC will now hold issuers responsible for their program manager partners' compliance with OFAC and AML rules.

Program managers that put cards on J-hooks in stores will have to be more diligent about compliance and potentially support real-time consumer and funding verification when selling and loading prepaid cards. Because issuers are on the hook with the regulators, they will force the program managers to adopt new processes (and thus incur more costs) or risk losing their right to market the product. Alternative FI providers have built a great business selling cards through retailers. In particular, Walmart and American Express proved with their Bluebird solution that mass marketing prepaid debit works.

This could signify a real opportunity for credit unions to sell prepaid cards direct to members through their own branches. Prepaid products could be an extension of a member's checking or savings account offering, further filling a void filled by alternative payment providers and retailers.



Fed Study: Millennials Prefer Prepaid Cards

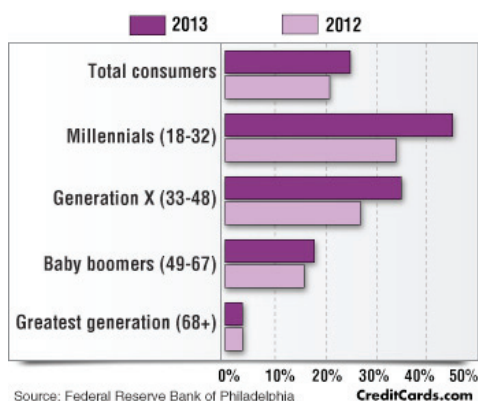
Ownership of general-purpose reloadable cards is surging among millennials, a study by the Federal Reserve Bank of Philadelphia finds. While ownership of the cards is increasing across most age groups, none compares to consumers in the 18-32 age bracket -- the millennial generation. There was an 11 percent increase from August 2012 to the same period in 2013 for millennials, meaning almost half of millennials had these cards in August 2013. Use among those in the next-oldest age group, Generation Xers ages 33-48, increased by 8 percent during the same period to 35 percent.

"The result are very much in line with what you would expect of the Millennial generation," states Susan Herbst-Murphy, senior industry specialist for payment cards at the Federal Reserve Bank of Philadelphia. "What surprised me was that 65% of those surveyed in the higher-income bracket, those making \$100,000 a year or more, said they used prepaid cards as a way to manage money, spend less and avoid overdrafting," Herbst-Murphy said. "They rated those attributes higher than any other income group."

Prepaid card ownership for all consumers earning \$100,000 or more a year rose to 27% in 2013, up from 18% in 2012, the report said. Higher income is tied in with consumers increasingly choosing to own a prepaid card, rather than being forced to have one from an employer or government services such as Social Security or unemployment, said Greg Weed, director of card performance research for Phoenix.

"Prepaid adoption in higher-income settings may also be on the rise because parents purchase prepaid cards for their children in college or high school," Weed said. "The trend essentially means prepaid cards, once viewed simply as a "bridge product" to other financial services, should now be looked at for broader uses," Weed said.

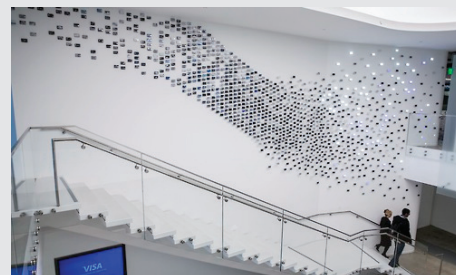
Who owns reloadable cards, by age



Visa News

Visa Accelerates Technology Strategy. Visa announced that it will strengthen its technology resources by creating 2,000 full-time technologist positions. Visa also plans to open a new technology center in India. The combination of these initiatives will help accelerate the shift to electronic payments and drive innovation in mobile and digital platforms. Teams will focus on the development of key application programming interfaces (APIs) and software development kits (SDKs), helping an expanding group of global partners to more easily access VisaNet when creating new commerce and payment experiences.

Visa recently opened a 112,000-square foot innovation center, One Market, at its new office space in San Francisco. One Market is specifically designed to enable Visa technologists, clients, partners and the Bay Area tech community to co-develop the next generation of commerce applications.



3D Secure to be replaced in 2015. MasterCard and Visa announced a plan to develop an authentication standard for online transactions that will replace 3D Secure and make static passwords obsolete. The new approach will leverage an increasing trove of cardholder data to validate the identity of users without resorting to password queries that interrupt the transaction flow. The companies said the new protocol will replace the current 3D Secure protocol that each network currently uses (MasterCard SecureCode and Verified by Visa).

Visa Checkout update. Since its late summer launch, Visa Checkout has now attracted more than 200 supporting financial institutions and has recently signed merchants that include The Gap, Gymboree, Crutchfield, and Orbitz. Overall, merchants accepting Checkout represent more than \$33 billion in addressable volume, with another \$30 billion signed up.

Visa Announces EMV Awareness Campaign. Visa plans to carry out a national awareness and education effort that it says will reach millions of U.S. cardholders and merchants with information about chip technology. The campaign entails working with public- and private-sector partners in order to educate

Continued on page 9

Apple Pay and the future of payments

Apple Pay's launch about a month ago was accompanied by an unprecedented amount of hype and media attention. It cast a bright light into a murky mobile wallet payments environment, leaving many to wonder if Apple Pay could in fact eclipse plastic card payments.

The reality is Apple Pay, which is only beginning its second month, will take a long time to catch on with most stores. "One thing we forget is how long it takes to gain scale in payments," said Gareth Lodge, a senior analyst with Celent's Banking practice. "The last payments product to get 10% market share took more than 10 years to do so. And that was debit cards."

Not so fast . . . plastic is still the industry leader.

There are several reasons why the end of plastic payment cards is nowhere in sight.

First, it is well-known that a very small percentage of merchant terminals (estimated at no more than 5%) currently accept near-field communication payments, in which two devices placed at close range perform transactions via a wireless connection. Moreover, a significant portion of consumers are wary about the security of NFC transactions. Twenty-two percent of smartphone owners who have not used a mobile payments app said that "tapping a phone against a merchant terminal" was a major security concern.

While smartphones are certainly on the rise, they are not yet ubiquitous: 65% of households currently own one. That leaves more than a third of households for whom mobile wallets, in general, are currently not an option.

Apple Pay's impact will also be limited by the fact that Android phones are more prevalent; less than half of smartphone owners have an iPhone. And nearly half of smartphone owners say they are unlikely to use a smartphone application for in-store payments. Among users who have yet to use a mobile payment app, 48% said that they were uninterested in using one, 38% were neutral, and just 14% said that they would be likely to adopt it.

Lastly, while Apple enjoys a strong reputation, some Americans may not be willing to trust them to facilitate their transactions. Last year, 22% of smartphone owners indicated they would consider a mobile payment from Apple. A similar number (17%) said they would go with Google, but banks (72%) and PayPal (41%) were far more popular picks.



The Apple Pay announcement heralds the likelihood of substantial increases in NFC-ready terminals. Since it coincides with current merchant investments in EMV-compatible terminals, merchants are more likely to make sure the upgrades include NFC compatibility. And Apple Pay's fingerprint identification and tokenization technology will help reduce consumer NFC security concerns. Nevertheless, there is still a long way to go before scale can be achieved.

It is important to emphasize that Apple Pay brings direction and credibility to the NFC marketplace and demonstrates NFC's future viability. The fact that Apple Pay launched with an NFC payments capability for in-store payments has everyone high-fiving over the notion of an NFC dominated mobile payments scheme becoming the de-facto standard for how payments are done in-store using a mobile device and the role of Apple Pay in igniting that standard. In-store payments is where the world is focused right now because brick and mortar stores drive 90 percent of consumer spending, double digit growth in e/m-commerce notwithstanding.

Apple Pay's slow rate of adoption

The first adoption numbers for Apple Pay's use for in-store payments are starting to come out, revealing a small cohort of early adopters. According to merchants, McDonald's is reporting Apple Pay accounts for half of its tap-to-pay payments and Whole Foods is reporting 150,000 transactions across its entire chain. These small numbers demonstrate interest but they are still underwhelming giving the hype and huge investment made by the card networks and big banks.

Apple Pay has a good chance to be successful, but it's not going to happen overnight - even PayPal still doesn't have 10% market share after a decade and a half. The key to Apple Pay's success lies with the merchants, and Apple still needs to develop a much stronger merchant proposition, particularly for in-store payments.

Apple Pay seems poised to benefit from impeccable timing. The service arrives just as U.S.

merchants are upgrading their tills to accommodate credit and debit cards that incorporate EMV chips (named for the Europay, MasterCard, Visa standard). Starting next fall, merchants that cannot accept chip cards face greater liability for losses from credit card fraud.



Seeing that they have to upgrade or buy new terminals to be EMV-compatible anyway, persuading merchants to make their equipment work with near-field communication, or NFC — the transmission technology relied on by Apple and Android devices — may become easier.

Frictionless experience

The user experience has always been key to success for Apple. After all, many of Apple's biggest hits haven't come from being first to a market but from Apple doing a better job at something. The iPod, iPhone and iPad weren't the first of their kind, but they did end up proving to be the systems to beat.

So, if Apple Pay takes off, the pressure will be on competitors to come up with NFC systems that are equally easy to use. Apple could also push other systems to become more secure and offer better privacy, i.e. Google.

Perhaps the biggest innovation with Apple Pay is tokenization. Google uses a more basic system that substitutes a virtual card number that is used for the transaction. It's not as secure as the token-based system used by Apple, and many expect Google to adopt the newer tokenization technology. So success for Apple Pay could push Google to give its users more security.

History suggests that plastic payment cards will remain viable for a long time to come, even as the use of digital payment cards escalates over the next decade or two. Just look at the bill payments industry: while the incidence of online bill pay is high, consumer research shows that it will never reach 100%. And a high percentage of people who pay bills online still pay some of them using paper checks. When it comes to payments, old habits die hard.

Industry News

Continued from page 3

President Signs Executive Order Supporting EMV

President Obama launched a government initiative to support the US migration to EMV and improve information sharing on cyberfraud threats. During an event at the Consumer Financial Protection Bureau, President Obama signed an executive order aimed at reducing cyberfraud and identity theft. The US government will launch the BuySecure initiative to improve payment security by encouraging the adoption of EMV chip-and-PIN systems at merchant terminals and by enhancing information sharing among consumers and stakeholders in cases of cyberfraud and identity theft. More than 100 million Americans have lost personal information in a data breach over the last year, and identity theft is the fastest growing crime in the US.

Capital One Seeks Creative Spark With Purchase of Design Firm.

Capital One has acquired the web design and consulting firm Adaptive Path, whose approximately 30 employees will join the bank's design and innovation team. The acquisition signals Capital One's push to become a digital banking leader, emphasizes the importance of the user experience, and could prompt its rivals to beef up their internal design teams.

Nearly half of merchants to be EMV-ready.

At least 47% of merchant terminals in the United States will be enabled with EMV chip technology by the end of 2015, according to the Payments Security Task Force (PST). According to the PST, the estimate is based on forecasts from entities representing approximately 80% of all U.S. purchase volume, including First Data, Bank of America Merchant Services, Citi, Chase Paymentech, Vantiv, Elavon, Wells Fargo and Global Payments. In August, card issuers estimated more than 575 million EMV chip-enabled cards, which are more secure than the current magnetic strips on most credit and debit cards, would be issued by the end of 2015.



One in 6 payments is mobile at Starbucks. Starbucks is handling almost 7 million mobile payments a week at its US coffee shops according to online media outlet CMO. This accounts for 16% of all transactions at Starbucks' stores. Moreover, in 2013, 90% of all mobile payments in the US were made at Starbucks.

Grow Financial FCU loves their Gift Card program

Every credit union should offer a product that goes beyond the basics of debit and credit. Something that can be personalized or given as a gift. That's exactly what Grow Financial was looking for when they decided to replace its Traveler's Check Program. We sat down with Senior Vice President of Marketing, Wes Strickland, to talk about the credit union's Visa Gift Card program.

Why did Grow Financial want to implement a gift card program?

There were really three key drivers for our putting a gift card program in place. First, we have had requests from members through the years for such items to use as gifts for others. This was in par with requests for gift envelopes for cash and fresh cash. Second, we were looking to remove Traveler's Checks from our product offering and needed a functional replacement. The expense and management of our Traveler's Check program was far exceeding the usage by our members. And, finally, we saw the gift card program as an initial step toward a reloadable card product – which we would want to introduce in future years.

What did Grow Financial want to get out of a gift card program?

Our end-game objectives align fairly closely with the reasons stated above. We sought to reduce the operations burden of managing our Traveler's Check program and put in place a program that would serve our "travel-centric" members, provide an alternative for cash as gifts, and set the stage for future plastic card expansion to a reloadable card.

How many vendors did Grow Financial consider in their decision making process?

Our project team narrowed the search down to three vendors. We received full demos from all three, as well as had follow-up Q & A. The group reviewed our feature/benefit matrix for all three vendors and made the determination as to which program fit the current needs of the organization, as well as the growth projected by the team.

About how long did the decision making process take?

I believe it was approximately 2-3 months for the decision, then a few more months for implementation and rollout.

What set MAP's Gift Card product apart from the rest?

There were certainly some features we felt were more "member



friendly" – including moving remaining value from an old card to a new one, online access to card details, and a higher card value maximum. There were also some operational considerations such as setup costs and what the reloadable program looked like.

How did the implementation process go?

The implementation process went largely as planned. There are always unique elements or circumstances that create hurdles, but they were all easily overcome and we were able to keep to the overall project timeline.

Did Grow Financial receive the support they needed from MAP?

Yes, we most certainly received all of the necessary support for launching our program. There were a few card design issues that we were able to work through with Kelly, and there were some challenges with the complexity of the training materials, but our operations and training teams were able to work with MAP on those as well.

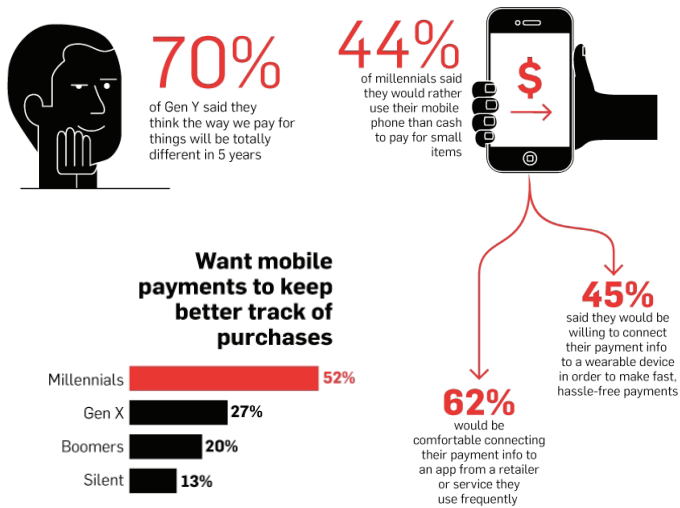
What has been successful about the gift card program for Grow Financial?

We have achieved what our original objectives were – replacement of the Traveler's Check program, having a product alternative to gift cash, and setting of the stage for a reloadable product. It has also provided an additional product to promote to our members both ongoing and seasonally.

For information about Visa Prepaid and Gift Cards please contact Mike Reynolds, mike.reynolds@mapacific.com or 206.787.1628.

Millennials drive payment disruption

Marketing firm JWT released a trends report entitled the "The Future of Payments & Currency" arguing that disruption in the payments and currency sphere is being driven by Millennials. JWT's survey found that Millennials are significantly more likely than other generations to express interest in mobile payments.



Visa News

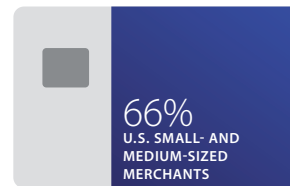
Continued from page 5

merchants, policymakers, civic leaders and consumers about Visa chip technology. The campaign will use visual and creative content to teach consumers and merchants about the benefits of chip technology and how to use chip cards. The campaign will be carried out through partnerships with financial institutions and merchants, and will seek to ensure that consumers and merchants have the information they need to use and accept chip cards.

Chip Card Smarts: Preparing for the 2015 EMV Chip Technology Shift

Consumers and small- and medium-sized merchants will need to get up-to-speed on EMV chip technology in the next year as chip cards and chip readers roll out in the U.S. Visa is making education and awareness a priority to ease the transition.

More than **575 million** credit and debit cards are projected to be EMV chip-enabled by end of 2015.*

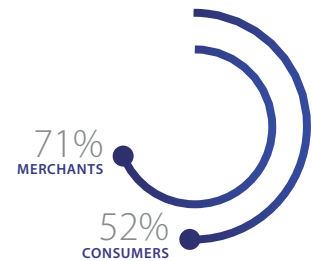


66% of small- and medium-sized merchants reported either already having chip-enabled card readers or upgrading to chip readers by October 2015.

Awareness

52% of consumers are aware of chip cards and more than of half of them also say chip cards are an improvement over magnetic stripe cards.

71% of merchants are aware of the technology and believe accepting chip technology would benefit their business.



64% of cardholders are more concerned by security today than they were last year.

45% percent of merchants are aware of the October 2015 counterfeit fraud liability shift.

EMV Chip Liability Shift Explained

From October 1, 2015, either the issuer or merchant who has not yet adopted chip technology may be responsible for any counterfeit fraud that results from a magnetic stripe transaction. The good news: if both parties adopt the chip technology—which generates a unique, one-time code to approve a transaction—overall in-store counterfeit fraud is virtually eliminated.

Wal-Mart Checking Account

Walmarts across the nation are now offering low-fee checking account via online banking system GoBank. Walmart doesn't charge overdraft fees, minimum balance fees or monthly fees with qualifying direct deposits and won't have minimum balance requirements or overdraft fees. But the accounts aren't entirely fee-free. First, customers must purchase a \$2.95 starter kit to open an account. The kit includes the debit card and requires a minimum deposit of \$20 and for the user to set up a direct deposit of at least \$500 per month. Without the direct deposit, account holders are charged an \$8.95 "membership fee." Any time a cardholder visits an out-of-network ATM, there's a \$2.50 charge, plus a 3% foreign transaction fee. There's also no savings option which means customers would have to maintain a savings account elsewhere.





Tech-savvy generation of business leaders to shape payments landscape in 2020

The payments landscape is in a state of fundamental transformation, comparable in significance to the advent of downloadable entertainment for the video rental business. Traditional financial institutions in particular will need to move swiftly if they are to take advantage of the opportunities available or risk losing out to nimbler competitors.

The world of global payments in 2020 will look very unlike it does today; indeed its "end-state" post-2020 will be largely unrecognizable. Key factors influencing these changes will be the impact of technology, changing customer expectations (in particular those of retail customers), changing demographics, shifts in global trade flows and currency markets, and the growing impact of regulation.



The next generation of tech-savvy entrepreneurs and business leaders is transforming the global payments market according to a new report, *Global Payments 2020: Transformation and Convergence*.

"The next generation of entrepreneurs and business leaders is taking the helm of economic and commercial activity," said Dominic Broom, head of EMEA sales and relationship management, Treasury Services at BNY Mellon. "To these tech-savvy leaders, having retail banking on their smartphones and tablets is second nature and they are accustomed to convenient, user-friendly applications that offer speed and flexibility."

Large technology and social media companies such as Amazon,

Google and Facebook are seeking entry into the payments market. At the same time, new electronic currencies such as Bitcoin offer payment options independent of government control.

In fact, a significant threat is posed by large technology and social media companies. If such firms can leverage, even monetise, their considerable



customer reach by presenting attractive, straightforward and secure payment propositions alongside their other non-payment offerings, they could succeed in disintermediating banks, particularly in growing segments of the global payments business. This is of particular relevance as a young, 'tech-savvy' generation starts to take on leadership roles in global commerce. This new generation of leaders, all very familiar with the world of social media and e-commerce, will expect to run their businesses using 21st century tools.

In addition to threats from social media and technology-based companies, credit unions face growing competition from clearing and network solution providers, whose business models are reshaping global markets, changing the way multi-currency capabilities are delivered, and impacting the value proposition of traditional correspondent banking models.

One of the ways credit unions can harness this technology is to explore more non-traditional alliances and partnership models, both within financial services and beyond, according to the report. Credit unions work in a highly regulated environment, so they could find mutual benefits by working with non-bank institutions such as mobile or social network operators, which tend to be more tech-savvy and agile.

Letter from the CEO

More than a Token Effort

Now if you think our headline "Battling Fraud with Tokenization" isn't quite as exciting as any headline with the word "Apple" in it, the fact of the matter is that this is the most interesting part of Apple Pay's mobile payment solution.

While Apple Pay included innovations such as Near Field Communication (NFC) and the Secure Element, the real innovation is tokenization. Apple Pay is the first deployment of issuer tokenization, which was introduced by EMVCo in March 2014. This new tokenization framework allows payment networks (e.g., Visa, MasterCard, American Express) to provision tokens on behalf of credit unions to be securely stored in the iPhone 6's Secure Element. The tokens will be provisioned and managed by the payment networks on behalf of the credit union, ensuring that merchants never see payment card numbers, which should be very appealing to merchants in the wake of all the recent point-of-sale data breaches.



Cyndie Martini
President/CEO

The full ramifications of the Apple Pay won't be apparent for months, even years. Meaning this is not a revolution in payments but more of an evolutionary process. What will drive consumer adoption of mobile payments is convenience. They want a solution that they can use quickly and intuitively at their merchant of choice. With the launch of Apple Pay, Apple has shown why it is an industry leader. Its success is, in great measure, thanks to the company's ability to persuade the payment networks (Visa, MasterCard and American Express) and large credit card issuers (Bank of America, Capital One Bank, Chase, Citi and Wells Fargo) to participate in its launch of Apple Pay.

It's no small feat that many of the nation's largest companies spent over a year building and testing a new payment and tokenization system in absolute secret. Since Apple launched with the big banks in September, we have been working with our partners, Visa and others, to create solutions that best serve our clients. In the weeks to come, you can count on us to update you and your credit union colleagues about the impact of changes in the industry.

At MAP, we strive to make our clients more competitive by providing payments solutions that best serve their members. Our success comes from providing cost effective, best-in-class solutions for our clients. 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.

A handwritten signature in blue ink, reading "Cyndie Martini".

PRSR STD
US POSTAGE
PAID
SEATTLE, WA
PERMIT #1445



16000 Christensen Road, Ste 200
Seattle, Washington 98188

Phone: 1.866.598.0698

Fax: 206.439.0045

Email: info@mapacific.com