



ACCESS THE WORLD

ISSUE 28 | Summer 2014

Inside this issue . . .

- P.2 – MAP's Annual Conference moves to Portland, OR
- P.4 – Rate of EMV Adoption
- P.5 – Industry News
- P.6 – Campus Prepaid Cards
- P.7 – Everything from Amazon
– Visa News
- P.8 – The "New Normal" for FIs
- P.10 – Host Card Emulation
- P.11 – Letter from the CEO

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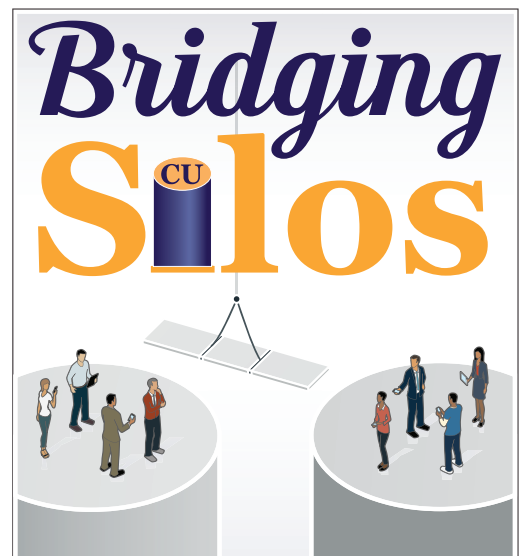
www.mapacific.com

Join us in Portland for MAP's 2014 Annual User Conference

Member Access Pacific is pleased to welcome clients and guest credit unions to our 15th Annual Payments and Users' Conference. MAP's two-day conference will feature leaders from multiple disciplines to help us gain insights on the rapidly evolving payments industry. This year's conference is being held at RiverPlace Hotel in Portland on Thursday, September 11 and Friday, September 12.

With a focus on enterprise solutions for growing your credit union's payment portfolio - credit, debit, prepaid, ATM and even mobile - we want to help credit unions bridge the silos that can separate departments that need to work together to be successful. We recognize that the Card Services department can't do it alone and with this year's conference, Bridging CU Silos to grow card portfolios, we are bringing together people from across the enterprise - be it marketing, training, lending or the CEO - we see significant opportunities for our clients to increase revenue and serve their members through greater collaboration.

Thursday's morning program features a marketing presentation on Brand Animation!



Brand Animation is a new understanding of brand and a practice that drives revenue growth. BA reveals brand to be experience = the sum of an individuals' thoughts and feelings about the organization. This understanding makes all the difference. Through real-world examples and audience participation, Brand Animation presentations and workshops provide insights, tools and techniques to resolve the relationship vs. sales paradox.

Thursday afternoon will be the Credit & Debit Seminars, including Ondine Irving, the creator of

See Annual Conference on page 2

Annual Conference from Cover Page

School of Credit Card Program Management. Ondine's focus is to teach credit unions in an objective manner the expense savings and income opportunities of the credit card portfolio and she strongly believes credit unions should issue and manage their own card programs. In the ten years since creating Card Analysis Solutions, Ondine has been educating credit unions on the importance of having effective credit card program management processes so institutions can continue to offer their members fair and ethical credit cards. This means CUs need to find ways to increase card program income and reduce expenses without passing any additional costs on to members through higher rates and additional fees.

The afternoon program will also include payment industry experts and credit union leaders from MAP, Visa, and other partners and client credit unions. Speakers will overview the immediate and long-term growth opportunities from member debit, credit, ATM and mobile product portfolios.

Friday's program features researcher, author and world leading neuroscientist Dr. Adam Gazzaley's keynote presentation "Technology, Productivity and What You Can Do About It." While we're more connected and technologically advanced than we ever have been, most of us struggle to keep up with the rapid pace and progress of change. Dr. Gazzaley provides a fascinating perspective on how our satu-

Bridging CU Silos to grow card portfolios

Register today at [uConference14](#).



MATT PURVIS



ONDINE IRVING

rated world of digital media, as well as growing expectations of immediate responsiveness, place excessive demands on our brains. Despite extraordinary complexity and remarkable capabilities, our brains have distinct limitations. Dr. Gazzaley explains how your brain manages the river of data that constantly floods it, exceeds its capacities, and copes with the consequences of this on your performance.

Bob Treadway's work as a futurist, speaker, consultant, and strategy advisor began when clients asked him to develop forecasts to present in advance of his strategic planning consultation and facilitation. Clients in a wide cross-section of industries listened to his counsel that they could not just "invent the future" - they



DR. ADAM GAZZALEY



DAN PRICE



BOB TREADWAY



KIM MALEK

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Portland for
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needed to anticipate, prepare, strategize, and act on the factors that they could not control. 24 years later his work continues. But it has broadened and deepened into a futurist practice that extends to multiple countries, several continents, dozens of industries, and several hundred client organizations.

Dan Price, President and CEO of Gravity Payments, is speaking on "Providing Value...The Most Extraordinary Product of All." Price has created a business model committed to leveling the playing field in the merchant payment processing industry. By focusing on transparency and service, Price has grown Gravity Payments into one of the top 50 credit card processors in the U.S. with customers in all 50 states. Price's innovative approach and contributions to the small business community have earned him prestigious awards such as the 2010 SBA Young Entrepreneur of the Year Award, 2013 GeekWire Young Entrepreneur of the Year Award, 2009 Seattle Mayor's Small Business Award, and Puget Sound Business Journal's 40 under 40. Price has been chronicled in Entrepreneur Magazine, Inc. Magazine, Yahoo! Finance, Wall Street Journal, Seattle Times, Puget Sound Business Journal, Seattle Business Monthly, Business Week, GeekWire and Forbes.

Kim Malek will speak on her passion for innovation and her desire to open her own business. Before realizing this goal she held positions in marketing and product management at Starbucks Coffee, Yahoo!, and adidas. Most recently she worked on a new online music service with (RED) to raise money to end AIDS in Africa. In May 2011 Malek opened her own small business, Salt & Straw Ice Cream, that seeks to give back to local non-profits with a focus on education and equal rights, believing that these are pillars to a strong local community and essential to building a strong business. Their ice cream has been named editor's pick by Food & Wine Magazine, Bon Appetite, Martha Stewart, Oprah, Saveur, GQ and Portland Monthly. It has also been featured in Andrew Zimmern's Bizarre Foods America, Time Magazine, The Cooking Channel and on ABC's The Chew.

 RIVERPLACE



The conference will be held at RiverPlace Hotel in Downtown Portland on the scenic Willamette River. Hotel reservations and conference registration information are available online at uconference14.com. Breakfast and Lunch are provided.

Conference Program

September 11- Thursday

9:00 AM – Marketing Workshop

Brand Animation & How to Sell at CUs with Matt Purvis, Purvis Management

1:00 PM – Credit & Debit Seminar

Tools for Success - Driving Penetration, Activation and Usage with Greg Borchardt, Visa Consumer Marketing, Dancing with Cards - Portfolio Analysis & Marketing with Ondine Irving, Card Analysis Solutions, and Growing & Marketing Consumer Credit with Deborah Athens, Visa Client Consulting Group

4:00 PM – Panel Discussion

Bridging Credit Union Silos - Enterprise Solutions for Growing your Portfolio with MAP Credit Union Representatives & Staff

September 12- Friday

8:30 AM – Keynote Presentation

Technology, Productivity and What You Can Do About It with Dr. Adam Gazzaley, UC - San Francisco, Director, Neuroscience Imaging Center

10:25 AM – A Focus on the Future of Payments with Futurist Bob Treadway

11:30 AM – Providing Value...The Most Extraordinary Product of All with Dan Price, Gravity Payments

1:30 PM – CEO Panel: The Vision & Leadership for Managing Payments Across the Enterprise

3:00 PM – It's All About Community... The Making & Growth of Salt & Straw with Kim Malek, Founder of Salt & Straw Ice Cream

Credit, Debit and the rate of EMV Adoption

U.S. Credit Cards to Adopt EMV at a Faster Pace than Debit

The conversion of U.S. magnetic-stripe credit and debit cards to the Europay-MasterCard-Visa (EMV) chip card standard is about to shift into high gear. By the end of 2015, 70% of U.S. credit cards and 41% of U.S. debit cards will be EMV enabled, and chip-and-signature will be preferred by issuers out of the gate, according to a recent survey. The EMV Migration Forum, an affiliate of the Princeton Junction, N.J.-based Smart Card Alliance trade group, on Thursday predicted more than 100 million EMV payment cards will be issued by year's end.

Also, the Aite Group issued a report predicting that 25% of U.S. credit cards and 8% of debit cards will have EMV capability this year. With Americans carrying more than 1 billion general-purpose payment cards in 2013—an estimated 579 million credit cards and 597 million debit cards—Aite's projections mean that about 193 million cards could be EMV-enabled by Dec. 31.

The EMV Migration Forum's forecast is based on estimates from an unspecified number of industry suppliers. It also predicted that 4.5 million EMV-capable point-of-sale terminals will be installed at merchant locations by year's end.

Aite's report focused on card issuance and is based on April and May interviews with payment card network executives and 18 of the top 40 U.S. credit card issuers, including seven of the top 10. Aite's respondents represent 56% of the U.S. credit card base.

The big banks, which control a huge percentage of U.S. cards, will be responsible for much of the movement, reports Aite Group, which conducted the study in April and May.

Having talked with a lot of credit unions during her research, Julie Conroy, research director for retail banking at Aite, found that credit unions are all over the map. Some realize the exposure and don't want to get hammered with fraud costs while others hope fraud is

just a problem for the big financial institutions. Aite's study found that the EMV-enabled card issuance process will ramp up in the fourth quarter of 2014, with eight of 18 issuers interviewed beginning general issuance to the public by the end of 2014 and three additional issuers beginning general issuance by the end of the first quarter of 2015.

The study covered 18 of the top 40 U.S. credit card issuers, including seven of the top 10. Conroy warned that those that do not keep pace and convert along with the large numbers of cards that will be EMV enabled by the close of 2015 will face significant fraud losses.



One of the clearest indicators that criminals are rapidly increasing their attention on the U.S. market, the last G20 country to convert to EMV, is that credit card fraud rates are now 10 cents out of every \$100 transacted — double the figure from 2007. "Debit card fraud is also experiencing rapid rates of increase," she noted.

Conroy said waiting past 2015 will cost big and small issuers alike. She reminded that for some time criminals have clearly targeted small shops.

"As we all know, the bad guys do their homework and you see today that as BIN numbers get sold in underground forums, the BINs will be labeled 'not yet EMV enabled.'"

Just as big banks will likely move sooner than smaller FIs, small retailers will lag behind big-box stores that are expected to be EMV ready by the liability shift deadline. Conroy said a number of big issuers are counting on that happening.

"Some of the issuers I spoke with are planning to be 100% EMV enabled by October 2015 because they want the merchants to pay for their costs for EMV conversion," noted Conroy, who said issuers believe the fraud losses passed onto merchants not yet EMV ready will be significant.

The October 2015 liability shift deadline from the major payments

Industry News

networks shifts fraud liability to the weakest link in the payments chain. Therefore, if the issuer's EMV card is used on a terminal that does not have EMV capability, and fraud occurs on that card, the merchant picks up the costs, and vice-versa.

The Aite study also found that the majority of card issuers in the study are choosing to initially issue chip and signature cards. Conroy said chip and signature is preferred over chip and PIN due to lower implementation costs and because signing at the point of sale is what consumers are accustomed to doing.

As the numbers in the Aite report show, debit's conversion to EMV will lag behind credit. But Conroy said that 41% of U.S. debit cards being EMV enabled by the end of 2015 is a much higher percentage than projections from one year ago. The federal appeals court decision in March to overturn U.S. District Judge Richard Leon's ruling last year to invalidate the Fed's debit interchange guidelines has added a great deal of clarity to the future of debit and given FIs confidence to make decisions about the payments method. The Target Corp. data breach, as well, has spurred movement.

Conroy noted that those institutions that are not waiting for the liability shift deadline and getting out ahead of many FIs by offering EMV cards today to gain a marketing advantage.

"As we move toward the liability shift deadline and education around EMV ramps up their absolutely is a marketing advantage in that chip," she added.

Check it out: Resources for EMV Adoption

- **EMV: Lessons Learned and the U.S. Outlook.** White Paper by Aite Group
- **EVM Business Case Model** - This model estimates the profit and loss impact to an issuer's credit or debit as a result of converting to EMV.
- **InfoGraphic** - What's an EMV chip card?
- **EMV Frequently Asked Question (FAQ)** - Member
- **EMV Frequently Asked Question (FAQ)** - Credit Union
- **EMV Implementation Overview** - Benchmarks and phased approach to implementing EMV at your credit union.

available at www.mapacific.com/EMV

Cash grows less popular.

According to Javelin Strategy & Research, cash will lose nearly \$100 billion in point-of-sale volume by 2019. Furthermore, cash dropped by 10 percent of volume of transactions, from 2012 to 2013, for a total of \$86 billion. That trend is predicted to continue in a more drastic



fashion over the next six years. The necessity of cash and checks has been eroded by the popularity of mobile card readers — like those offered by Square, PayPal, and Intuit — which easily and inexpensively enable mobile devices to accept card payments. While debit and credit do dominate overall POS spending, Javelin noted that 65 percent of consumers used cash within the past seven days of when the research was compiled.

CFPB Announces Inquiry into Mobile Banking Last year, 74,000 consumers began mobile banking every day according to a study cited by the Consumer Financial Protection Bureau (CFPB), which announced today that it is launching an inquiry into mobile financial services and its effect on the underbanked. The request for information (PDF) regarding the use of mobile banking is here and is due in 90 days. The bureau notes that mobile financial services have the opportunity to help the underserved have more control over their financial lives and have their financial needs met more successfully. "Whether provided by banks or nonbanks," the CFPB's request notes, "mobile financial services can enable consumers to access myriad products and services that they may not be able to access due to location (not within their community), cost or other barriers to access."

Proposed Rules for Prepaid Cards Due by 'End of Summer' The Consumer Financial Protection Bureau (CFPB) has bumped plans to release its proposed rule on prepaid cards to "the end of the summer," according to Richard Cordray, the agency's director. "We had anticipated we'd have a rulemaking proposal out in June [but] it's now taking us a bit longer," Cordray said in response to a specific question from Sen. Robert Menendez (D-N.J.), who has sponsored legislation to regulate prepaid cards. The delay is due to routine issues, Cordray suggested. "It doesn't indicate any particular problems about the rulemaking, just that it's hard to work through some of these issues; we're getting there and we'll have something fairly soon."

GAO Reports on Campus Prepaid Cards

The politically nonpartisan Government Accountability Office released its report on the higher education prepaid debit card market. The GAO said that at the beginning of the prior school year at least 852 schools, or 11 percent of U.S. colleges and universities, offered campus cards to their students. With a growing number of schools partnering with card providers for such programs, the GAO believes that Congress should require campus card providers to publicly disclose their agreements with schools for public review.

The GAO reported that the schools which offered the programs were “disproportionately large,” with enrollments constituting about 40 percent of all higher education students. “However, the percentage of students enrolled in their schools’ college card programs was unknown,” the agency said.

The GAO found that campus card fees were comparable to mainstream general purpose reloadable prepaid cards offered by banks and credit unions. However, the agency could not obtain hard data on the totality of fees that students pay to use the cards. “The total fees students pay are not known, and some providers declined or said they were unable to provide these data to GAO,” the agency added.

The GAO also concluded that a lack of clear definition about what the Department of Education means by “convenient access” when it comes to ATMs for students may result in students incurring unnecessary fees when making cash withdrawals of federal aid loaded on the cards.



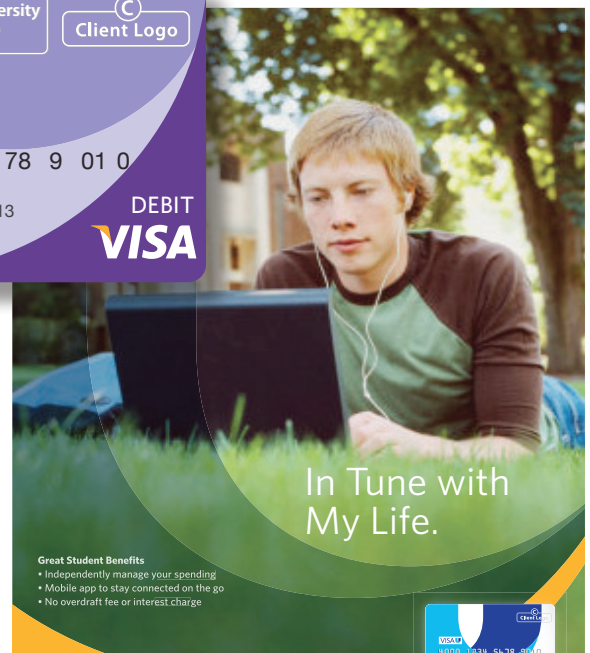
How does the Visa U Card work?

The Visa U Card is prepaid campus card that allows issuers to combine the functionality of a Visa debit prepaid card with a college or university campus ID card for students, faculty, and employees. Campus card non-Visa applications typically include the following:

- Identification
- Building access
- Library access
- Proprietary closed loop payment applications, such as the meal plan or book store, that are for use only within the geographical limits of the campus identified on the card.

A Visa campus card program typically involves instant issuance of cards. While the program requires credit unions and schools to follow the guidelines defined in the Visa Campus Card Design, a Visa campus card design may include the associated school’s proprietary payment service as well as the school mascot and colors and credit union brand.

For more information about the Visa U Card and other programs available to your credit union, please contact Mike Reynolds, mike.reynolds@mapacific.com, 866-598-0689, x1628.



Visa® Prepaid Card for College Students



Everything from AMAZON

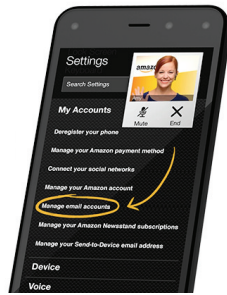
For the person that buys everything from Amazon – books, groceries, electronics, shoes, etc – the online retail giant now has a phone for all those purchases. The Amazon Fire, to be released in July, is being heralded as another way to shop Amazon by industry analysts. The smart phone includes a variety of technologies, such as NFC, multiple cameras, and cloud storage. Notably, it also includes the Amazon cloud-based payment wallet and Firefly, a service that can recognize a variety of items, such as bar codes, images and objects, enabling users to add them to their Amazon Wish Lists or to a shopping cart for immediate purchase from the retailer.

Like all of Amazon's mobile consumer devices, Fire is designed to provide consumers a way to engage with Amazon and it the first phone of its kind from a retailer. "I'm not aware of any other phone so connected to a commerce provider," says Rick Oglesby, senior analyst at Double Diamond Payments Research. "It's a very end-to-end Amazon experience that hasn't been done anywhere else." The Fire phone should prove to be a good commerce engine for Amazon, he says.

As for the device's mobile-payments potential, Oglesby suggests that Amazon may not welcome other mobile-payments companies. "Amazon devices generally are pretty locked down," he says. It is difficult for mobile-wallet providers to get their apps on the device. While the Fire, and its Kindle Fire tablet brethren, uses a heavily modified version of Google's Android, apps are generally available only via the Amazon app store.

Nick Holland, senior payment analyst at Javelin Strategy & Research, views the Fire as a harbinger of something else. "All eyes are on the wrong target," Holland says. Everyone is obsessed with Apple, as shown by copious what-if comments about Apple entering mobile payments, he says. "The real fun is happening in left field, here with companies like Amazon."

The Fire is the next generation of showrooming, which is what happens when consumers check out products using their smart phones in physical stores before buying them at a lower price from online merchants, Holland says. "It really telegraphs what you can do when you devote your resources to fusing online and offline [shopping], using the phone as a conduit between the two."



Visa News

Visa to eliminate nearly half its rules. Visa has announced that it will do away with almost half of its operating rules in order to become user-friendly to clients. Currently there are over 1,500 pages to the rules. As an interim step, to facilitate a smooth transition, Visa is providing clients with a preview of the new rules. During the interim period, the Visa International Operating Regulations published in April 2014, including any subsequent rule changes announced in the Visa Business News, will remain in effect. In October 2014, when the new rules become effective, changes since the October 2013 edition of the Visa International Operating Regulations will be incorporated. To help clients understand what has changed, Visa has prepared the Visa Rules Mapping Guide, which shows how the rules in the April 2014 edition of the Visa International Operating Regulations map to the preview of the Visa Rules. In addition, a recorded webinar, "Understanding the Visa Rules," is available at Visa Online.

2014 FIFA World Cup volunteers receive contactless Visa card. Approximately 13,000 volunteers who will be working at the FIFA World Cup will receive one of the most innovative technologies of Visa cards as part of the FIFA Local Organizing Committee (LOC) Volunteer Program. They will receive a card with contactless technology, allowing them to redeem a meal at the Volunteer Center restaurants. The Visa payWave card is equipped with technology that transmits data via radio frequency to the terminal. This technology can be provided in credit, debit and prepaid cards.



Visa Quick Read Design Card Introduced. Payment card use has evolved drastically, from face-to-face transactions, to transactions made over the phone, to the online space. Throughout this evolution, consumers have been getting by with a set of traditional card elements such as hard-to-read account numbers. To reflect the diverse ways in which cards are used, Visa is rolling out Visa Quick Read card design, a user-friendly design that groups together important card information (account number, expiration date and security code) for easy access when shopping online or by phone. Visa Quick Read is an optional card design.

The “New Normal” for FIs.

There has been a lot of talk about banking industry disruption among those who follow the industry. The growing threat of non-bank competitors such as Pay Pal, Starbucks and Google are chipping away at traditional banks' market share across multiple revenue areas, from payments to financial services. What's more, niche digital disruptors are becoming so attractive that major financial institutions are acquiring them (case in point: BBVA's recent acquisition of Simple for \$117 million)

Accenture's 2014 North America Consumer Digital Banking Survey brings a critical voice to this conversation—perhaps the most important voice of all—the voice of the banking customer. Moreover, by 2020, millennials will comprise more than one of three Americans and by 2025, they will represent as much as 75% of the workforce. Almost all millennials (88%) do their banking online and half use their smartphone to bank. This leads about three-fourths of millennials (73%) to be 'more excited' about a new offering in financial services from Google, Amazon, Apple, Paypal or Square than from a traditional bank.

Consistent with several other recent studies, the Accenture survey found that younger financial institution consumers are nearly twice as likely as older consumers to consider switching to a branchless bank. The survey found that 39 percent of consumers 18 to 34 old would consider switching to a branchless bank, compared to 29 percent of customers 35 to 55 and 16 percent of customers over 55.

The acceptance of branchless banking across age categories illustrates how consumers are becoming less interested in convenient branch locations and more interested in accessing digital services at the time and place of their choosing. Another contributing factor could be that nearly three-quarters of US consumers considered their relationship 'transactional' rather than driven by advice or a broader relationship.

Beyond banking with organizations such as Square and PayPal that already offer forms of financial services, the Accenture survey found that significant percentages of younger consumers would be open to bank with technology and telecommunications players such as T-Mobile, Apple, Google, Amazon and even retailers if the companies offered the services.

“Digital technology is introducing a new demand for how banking services are delivered. In particular, Millennials have distinct preferences regarding financial services and digital technology..”

– Accenture

In total, 72 percent of consumers ages 18 to 34 would be 'likely' or 'very likely' to bank with at least one technology, telecommunications, retail or shipping/postal company they do business with if they offered banking services. More than half (55%) of consumers ages 35-54 and 27 percent of those ages 55 and older would be willing to do the same.

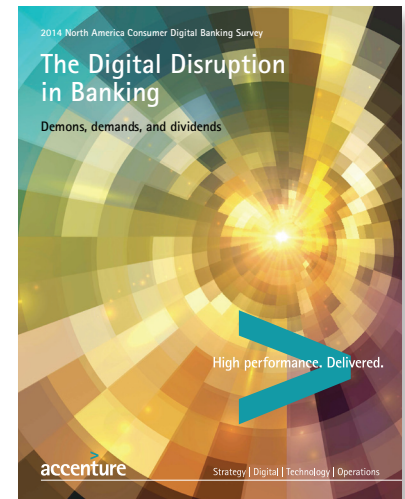
Among consumers aged 18 to 34, 40 percent said they would consider banking with Google, 37 percent with Amazon and 34 percent with Apple. Interestingly, for consumers ages 35 to 54, the numbers were still rather impressive, with 23 percent willing to bank with Google or Amazon and 20 percent with Apple. The numbers dropped significantly for those over 55.

Unlike previous surveys of this type, the Accenture survey shows the potential impact of T-Mobile as a threat to banks. Offering a prepaid checking account called Mobile Money, T-Mobile has 46.7 million customers, more than 70,000 branch offices, 42,000 fee-free ATMs, the same mobile platform that was used by Simple and a very impressive marketing budget. The power of this non-bank competitor could only increase if T-Mobile and Sprint merge.

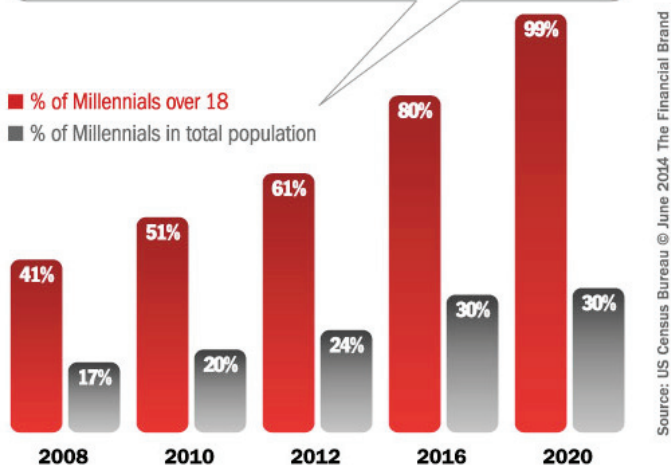
“Tomorrow's consumer is coming of age with a very different perception of what a bank could be,” said Wayne Bush, managing director of Accenture's North American Banking practice. “Those expectations could be profoundly disruptive to banks if non-bank entrants gain momentum and banks fail to adapt quickly. This will have important implications for the 'digital generation' spanning nearly all age groups.”

Millennials Want Proactive Advice

A potential bright spot for traditional banks is that, while millenni-



Millennials will increasingly dominate the adult population of America



with money management.

- Respondents ages 18 to 34 would like their bank to help them buy a car (55%) or with purchasing a home (57%).
- 68 percent of younger responders expressed interest in receiving real-time analytics of their spending, including safe-to-spend forecasts, compared to 55 percent of those ages 35 to 55 and 24 percent of those over 55.
- 57 percent of millennials want their bank to recommend products or services that they might need, while considering which accounts they already have.

To address the challenges described, Accenture recommends banks launch an attack on three fronts:

Seamlessly integrate across in-branch, assisted and digital interactions: Some consumers of all ages still value the branch, where nearly 60 percent of traditional retail bank products are still sold. But as more consumers use online, mobile and tablets for banking, there is a greater desire for a bank that is agile and innovative, with the digital tools to connect with them on a daily basis.

Become a part of consumers' daily lives: Similar to the strategy being implemented by Square, banks need to build a digital ecosystem with existing provider partners and other key players in areas such as home goods, health, travel and leisure, communication, and transportation. These partnerships would include presale advice, discounts, post-sale support, cross-sale opportunities, and more.

Offer digital personalized advice and counseling: 74 percent feel their bank should provide tools to make their life easier. Automating the generally manual process of budgeting will satisfy a basic desire of customers.

In study after study it is clear that consumers are calling for a new service proposition – they want their bank to make their financial lives easier and to enable them to manage their money more proactively. They are looking for an agile partner that continues to innovate. They are also looking to do more and more of their banking on digital channels and would eventually like advice to be delivered through the same channels.

We encourage you to explore the survey for additional insights into banking industry disruption: <http://www.>



48%

are interested in real-time and forward-looking spending analysis



51%

want their bank to proactively recommend products and services for their financial needs



71%

consider their banking relationship to be transactional rather than relationship driven



27%

would consider a branchless digital bank

Host Card Emulation: *Payments in the Cloud*

Google's announcement late last year of NFC Host Card Emulation (HCE) support in Android is being called a game changing innovation. HCE enables a normal Android app to perform the application functions of a *secure element* by relying on secure cloud storage for the account credentials instead of a secure chip in the phone.

Historically, mobile carriers controlled who gained access to the *secure element*. That means they've ultimately been able to decide which apps a shopper can use for NFC payments in brick-and-mortar stores. NFC, which stands for Near Field Communication, is a wireless technology that allows a piece of hardware to exchange data with another piece of hardware nearby simply by bringing them close or tapping them together. Since the payment data transferred in an NFC transaction previously had to come from the phone's hardware secure element, a mobile carrier could decline any given app from using that data.

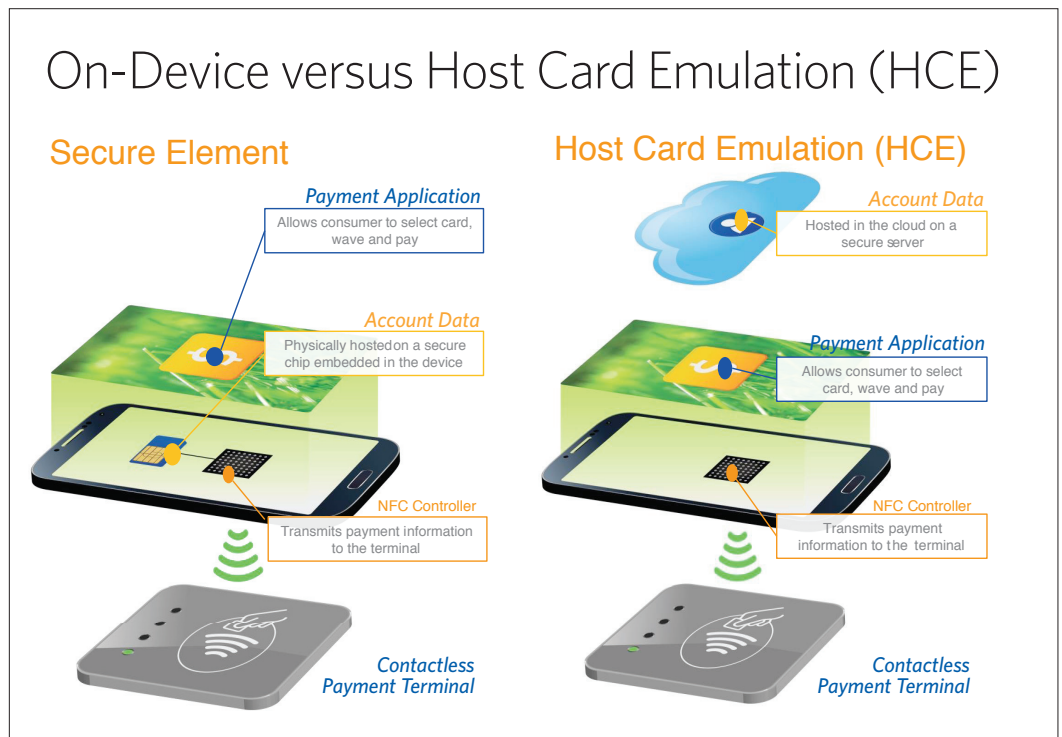
But with HCE, phones can bypass those carrier restrictions; an app can access and present the payment card information for an NFC payment from the cloud, which mobile carriers do not control. But the only way a purchase using HCE and NFC could take place is if the credit companies allowed the payment card details to be stored in the cloud. In short, HCE needed their stamp of approval.

HCE returns control over payment issuance and user experience back to the card issuers.

Why Cloud-Based Mobile Payments?

The promise of mobile payments has captured the imagination of banks, mobile operators, merchants, and consumers for over a decade. Yet time and time again initiatives have failed or fallen short because of business and technological hurdles that impede the innovation and collaboration that is necessary for real success. With HCE mobile payments are that much closer to a reality.

Both Visa and MasterCard have announced a new set of tools and support applications designed to make it easier for banks to adopt



HCE as an alternative to renting space on the SIM from airtime operators.

The initial Visa payWave standard for cloud-based deployment is available now, alongside a software development kit to support clients who wish to develop their own cloud-based payment applications. Future versions of the Visa payWave standard will add support for QR codes and in-app payments, alongside a new service and platform for the issuing of digital tokens rather than the 16-digit payment account number.

In addition to supporting clients who are hosting the Visa account data on secure elements in smartphones, Visa is extending the Visa Ready Program to also support financial institutions and partners who wish to securely deploy Visa accounts in the cloud. The program provides new standards, tools, services and implementation guidelines, and ensures that cloud-based applications with Visa payment functionality are compatible with Visa's requirements and payment industry security standards. Visa is developing a new service and platform, to enable clients and partners to issue Visa accounts digitally – in the cloud, on secure elements in smartphones, or linked to a digital wallet. The solution will also enable the issuance of payment tokens that will replace the 16-digit payment account number and can be limited for use with a specific device, payment channel or merchant.

Letter from the CEO

Payments are fast becoming the technology that drives them.

It happened again. Technology has jump started mobile payments. It was only 6 months ago that industry insiders were bemoaning the future of mobile payments. M-payments were stalled and consumers were not interested in the limited options. While big banks, Google, and the mobile phone carriers have been building and testing various - and exclusive - wallets and POS systems, it is only Starbucks that had found any real success in mobile payments.

Today, there is a renewed hope for m-payments thanks to the critical breakthrough called Host Card Emulation (HCE), which delivers payment credentials to a mobile device via the cloud instead of locking them down into the phone's secure element (see Host Card Emulation: Payments in the Cloud on page 10). HCE completely bypasses the phone's secure elements (a chip controlled by the mobile carrier) and makes it possible for more players to enter and compete in the mobile payments market.

More importantly, it gives consumers greater choice to use and transact with institutions they trust. This is an opportunity for credit unions. We are no longer stymied by financial and competitive barriers to enter the market. Visa has developed initial tools to support account data in the cloud and is developing robust solutions to ensure that payments are secure and several layers of security will be implemented, including one-time use data (tokens) and real-time transaction analysis. Security will be a key differentiator for credit unions as new players enter and seek to grow market share in the payments space.

True, it's still early days for mobile payments through our smartphones, but HCE and Visa's own announcement will help it gain traction by making it easier to implement on our smartphones while ensuring that member concerns are addressed.

Making the most of opportunities is fundamental to our mission at Member Access Pacific. We are here to ensure that our client credit unions can access the payment solutions they need to successfully serve their members. Coming this September 11 and 12, we are especially pleased to welcome you to our Annual MAP Conference - a forward-looking event that will present the latest in payment solutions. As noted in the cover article, we have assembled a "Who's Who" of industry experts to present at this year's conference.

I hope to see you at the Annual MAP Conference, and, as always, I am available to hear your concerns and answer any questions you might have. Feel free to call me, 1-866-598-0898, ext 1610 or email me at cyndie.martini@mapacific.com.



Cyndie Martini
President/CEO

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

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