

How ApplePay Changes Everything

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Results of 2012 FRB Payments Study:

- Cards used for 2/3 (67%) of all consumer payments.
- Consumer use of cards at 86% with business at 14%.
- Virtually all check payments are cleared as a check image or converted to ACH.
- ACH growth modest at 4-5% over last couple of years.
- Estimated number of unauthorized transactions (3rd party fraud) in 2012 was 31.1 billion with a value of \$6.1 billion.


What We Know



- Ubiquity – standards for the WHOLE industry?
- Disintermediation – non-FI solution providers in the channel business. Is this good or bad?
- Oversight and Reform – regulators and CFPB in your shops all the time.
- Faster, better, cheaper vs. EASIER – is easier what we all want?
- Security – Target as the Target. There's no place like Home Depot....Can EMV help? Will it be too late?

The Water Cooler



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- 1. A strong, consumer-centric virtual footprint. Enabled for mobile.**
 - 2. For business, an easy but safe online platform.**
 - 3. Regulatory compliance.**
 - 4. The move to EMV.**
 - 5. What IS your wallet?**

Your Payments Agenda

- **Global standard (not a mandate) for card.**
- **Chip and PIN based plastic cards (all brands).**
- **Key to FI decisioning – liability shift.**
- **When the U.S. migrates to the EMV chip-based payment standard it will essentially put the world on a single global standard for fraud protection.**



The EMV Riddle



The EMV Timeline

- **What to invest in first?**
- **Will tokenization via mobile wallets eliminate the need for EMV before we have to jump?**
- **Javelin research says \$2-5K per ATM to convert to EMV.**
- **Estimating \$5-6 per card more in cost.**
- **Watch the liability shift.**
- **My answer – you will have to go. But maybe a stepped strategy that allows you to focus on mobile first.**

EMV vs. Tokenization

- **Dependent on the iPhone 6 and 6+.**
- **Owner to store payment card preferences.**
- **Uses biometrics (thumb print) for secure access.**
- **Leverages near frequency communications (NFC) to connect with merchant.**
- **Issues unique (one time) token for each transaction. Merchant only holds and passes the token for payment/settlement. Bank/CU holds 16 digit card number secure.**



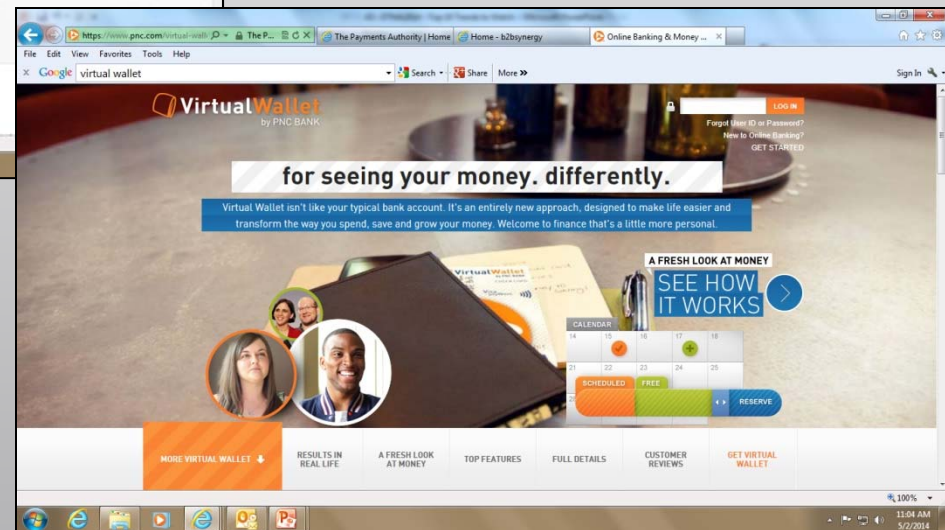
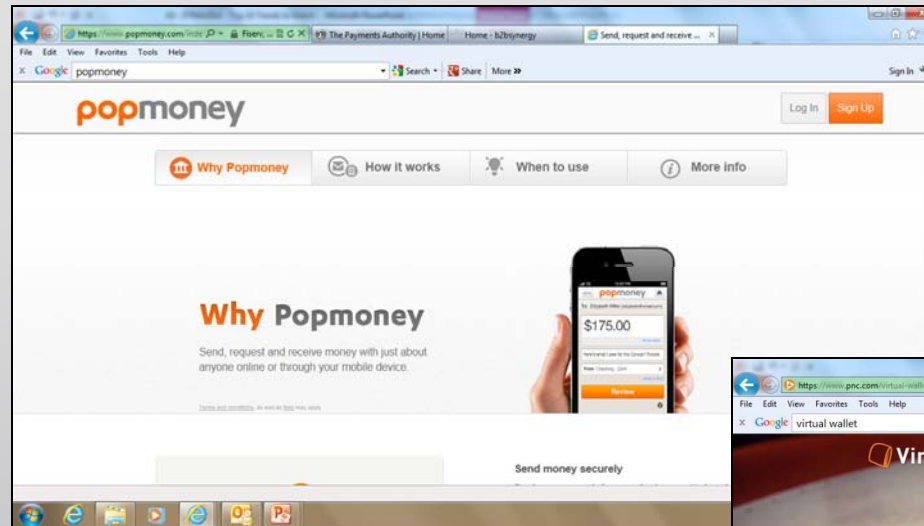
Apple Pay: Game Changer

- **Everyone leverages their core competencies.**
- **Early merchant resistance, but who wants to argue with 6.4 million active iPhones in the US?**
- **Get in line and get on board.**
- **Not a mobile strategy on it's own.**
- **Watch for similar “hardware-based” solutions for Android phones.**
- **...it's all about a computer that fits in your back pocket!**

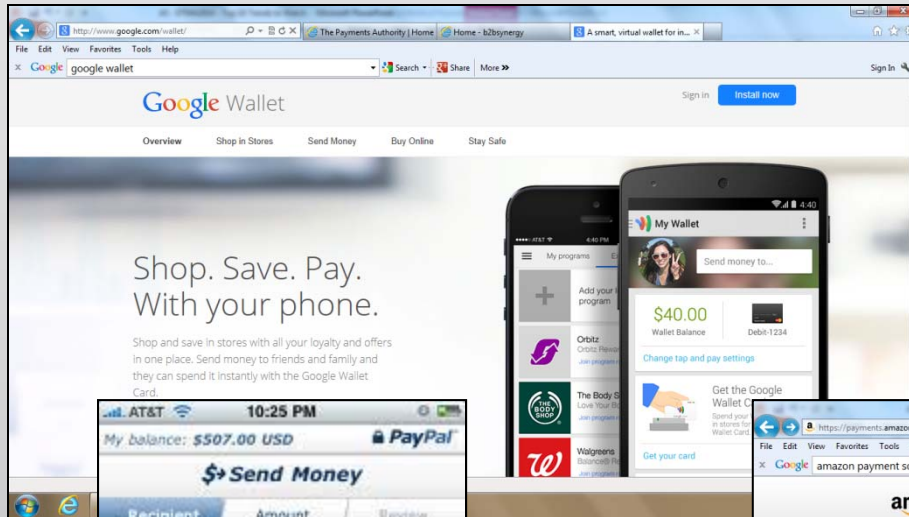
The Apple Pay Decision

- **Many non-FI players enabling payments.**
- **Consumers and businesses don't care who's moving the \$\$\$ as long as it's EASY and SAFE...or as long as they have recourse if it's not!**
- **FI being encouraged to make friends with the enemy!**

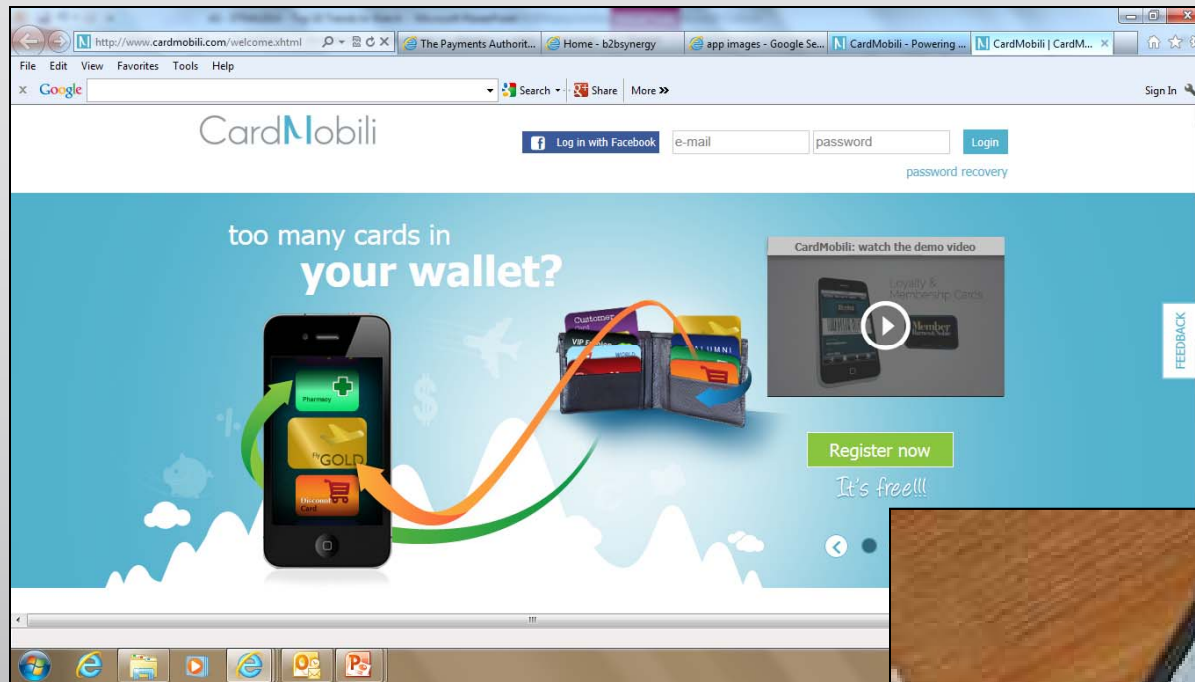
The Others



Innovation: With/Without You



Net Giants In Payments Biz



Mobile Payments/Wallets

- **CU Wallet surfacing as a solid solution – CUSO.**
- **Product driven by Paydiant.**
- **Cloud-based, member driven (collaboration), committed to flexing as technology interests change....**
- **Consumers will be ready for and demanding a mobile payment app long before there is mass merchant adoption.**



“What is your wallet?”

- **Gamification...process not a product.**
- **Play to win...play to earn?**
- **What about a “game” to get to the next level of banking products and services?**
- **Or prizes for smart spending?**
- **Are you on the leaderboard?**



Gamify...Everything

- **Consumers (and businesses) want their laptop or mobile device to be their branch of choice.**
- **Banks and CUs who think like the consumers and serve up their financial picture will win.**
- **Banking is no longer a proximity issue when it comes to payments.**

Self Serve Banking



Self Serve Banking

- **Loan origination/request.**
- **Wire transfer requests.**
- **Balance review and purchase decision.**
- **Local partnerships for commerce.**
- **Credit check.**



Self Serve Ideas

- **Same day ACH.**
- **Cyber currency use on the rise.**
- **Check volume decreasing but Remote deposit Capture “RDC” (consumer and corporate) a must.**
- **Small to medium size businesses plum for picking! Can you resurface your consumer look and feel and appeal to the “underbanked”?**
- **CFPB and others as watchdogs for the consumer. Compliance should be JOB 1.**

Watch and Listen

- **CU overall strategy: Who? What? Where? When? Why?**
- **Payments Strategy: Who? And what do they want that will keep them here?**



Your Strategy

- **Lending/Relationship Attendees:**
 - **Market analysis – who is offering what and at what price?**
 - **Voice of the customer – through calling effort find out what they want!**

Your Homework

- **Marketing Attendees:**
 - **Work with Ops to look at the work – what are you getting now?**
 - **Identify opportunities to partner.**
 - **Profile the average account holder.**
 - **Build strategy for immediate and future innovation.**
 - **Positioning!!!**

Your Homework

Thanks!



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