

ApplePay Genius Bar: What. Why. How.

April 9, 2016

MCUL Spring Leadership
Conference

Soaring Eagle Resort

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The Clearing House Payments Authority

- January 1, 2016 business combination of The Payments Authority (41 years serving Michigan FIs) and The Clearing House.
- Covering Michigan, New York, New Jersey, Delaware, Pennsylvania, Northern Illinois, Puerto Rico, US Virgin Islands and Guam.
- Members include credit unions, banks, solution providers, core processors and companies.
- Resources support operations, branch personnel, product management, IT, compliance, senior management and BOARD OF DIRECTORS.
- Offering education, hotline support, consulting, rules compliance audits, advocacy, publications and strategic direction.
- Find us at www.theclearinghouse.org.



What Are We Talking About?

Mobile Banking - *is a term used to refer to systems that allow customers of a credit union or bank to conduct a number of financial transactions through a mobile device such as a mobile phone or tablet.*

Typically offered through your online banking vendor, redesigned to fit a mobile screen. Account balances and transfers as well as other simple functions available.



What Are We Talking About?

Mobile Payments - *also referred to as mobile money, mobile money transfer, and mobile wallet generally refer to payment services operated under financial regulation and performed from or via a mobile device.*

Instead of paying with cash, check, or credit cards, a consumer can use a mobile phone to pay for a wide range of services and digital or hard goods.



What Are We Talking About?

Mobile Wallet – *definition still evolving, but most consumers believe it should replace the wallet they carry. Payment mechanism, identification cards, retail loyalty cards, health care information, car registration, coupons.....*

Platform and concept leveraged to support device specific payment capabilities.



Your Customers' Agenda

“27 percent of customers would likely consider

a branchless digital bank

if they were to switch from their current bank or credit union.”

according to an Accenture report

*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!*



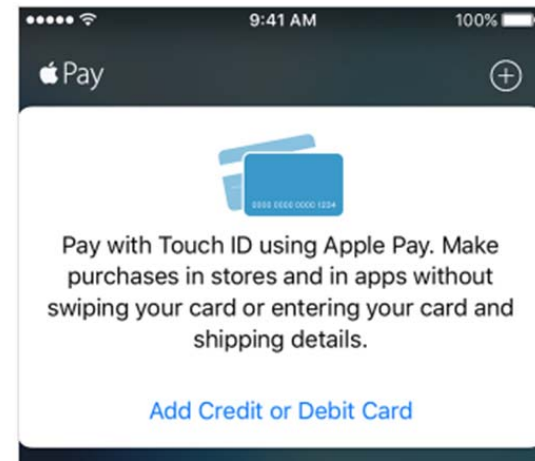
Apple Pay: What is it?

- Enables purchases to be made using a mobile device.
- Allows for consumers to manage their payment preferences in a secure way.
- Ties to a credit card.
- Requires merchants to accept it.
- Banks and credit unions have to support it and be able to post transactions to the issued card account.
- If they carry your card, don't you want to keep them?



ApplePay: The Facts

- AKA.... iPay
- Dependent on the iPhone 6 and 6+.
- Apple watch and some models of the iPad also enabled.
- Owner to store payment card preferences.
- Uses biometrics (thumb print) for secure access.
- Leverages near field 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.
- Can be used for in store and on line purchases.
- Leverages the current passbook/wallet app that comes on Apple devices.



The Apple Pay Decision

- 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 Impact

- Two out of three NFC \$ spent in the US is now Apple Pay.
- Panera Bread NFC up 80% and Whole Foods up 400% in 2015.
- Fastest growing payment solution in US history.
- Merchant demand for Apple Pay upgrades has been so strong that supplies of NFC equipment are depleted.
- A tremendous amount of demand is from astute and successful small to medium sized merchants.

Crone Consulting says that just 6% of Apple users that have access to Apple Pay are using it, 4% of Samsung users are utilizing Samsung Pay and just 1% of Android users are using its mobile wallet. Those are pretty low numbers all across the board.



Apple Pay Results

- According to a survey of 507 vendors of merchant processing systems, Apple Pay is the most requested mobile digital payments service among retailers.
- 44 percent of those vendors' customers are using, or have asked about using, mobile digital payment systems.
- Of that 44 percent:
 - 67 percent requested Apple Pay specifically
 - 18 percent requested Google Wallet and Android Pay
 - 8 percent requested PayPal
 - 7 percent requested Samsung Pay.

"It is telling that PayPal, who has been the leader in digital payments, so significantly under-indexed Apple Pay and Android Pay," Piper Jaffray Analyst Gene Munster.



The Apple Pay Riddle

- Apple takes 0.15% of every Apple Pay transaction. Paid by the FI who issued the card.
- Apple Pay - smart for Apple for other important reasons:
 - 1) It locks people into the iPhone.
 - 2) Apples are everywhere in stores now. Apple's logo is appearing next to Visa, MasterCard and American Express on credit card terminals at retailers across the world.
 - 3) It *could* move the needle one day. Credit card companies charge between 1.5% and 3% for every swipe. If Apple Pay becomes a more dominant form of payment in the coming years, Apple could easily raise its fees.
- Online, consumers now spend nearly as much on their mobile phones as they do on their desktop and laptop computers, according to digital marketing company Criteo.
- At physical stores, mobile payments are expected to become a \$142 billion business by 2019, according to Forrester Research.



The New “Mobile Reality”



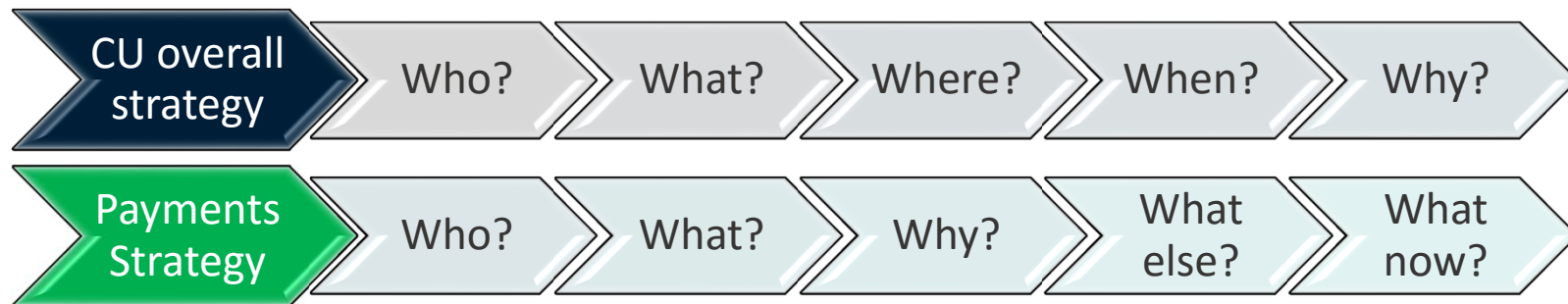
“What is your wallet?”

- CU Wallet surfacing as a solid solution – CUSO.
- Driven by Paydiant recently acquired by PayPal.
- Launched in 2013, 100+ CUs signed up to date.
- Cloud-based, member driven (collaboration), committed to flexing as technology interests change....
- Currently in testing.
- Consumers will be ready for and demanding a mobile payment app long before there is mass merchant adoption.



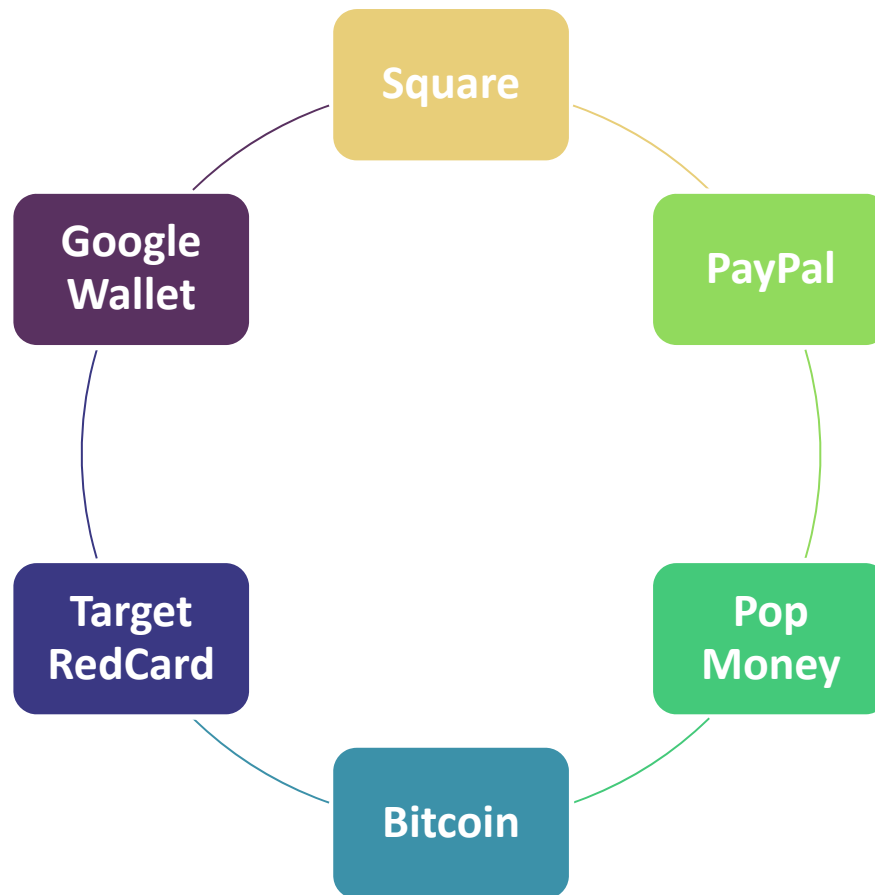
Your Strategy

- Does the credit union's leadership conduct strategic planning with staff annually?
- Is the plan then shared with the board for support and validation?
- Do you have a plan?



Internal Discovery

- Profile the average account holder.
- Work with Operations to look at the work – what are you getting now?
- Identify opportunities to partner.



Your Homework

- Influence the agenda and turn your BORED table into a BOARD table.
- A tight, yet simple agenda with consent items and short, timed reports results in more time to vision, plan and execute.
- Identify a task force of board members and staff:
 - Conduct market analysis – who is offering what and at what price?
 - Voice of the customer – through calling/contact effort find out what they want.
 - Report back and offer actionable ideas to move the CU forward.
- Build strategy for immediate and future innovation.
- Positioning!!!



Watch and Listen

- 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.
- TCH Real Time Payments System – a faster channel for payments.
- Tokenizing all payments...not just card.
- Many non-FI players enabling payments.



ACH Audit Services For RDFIs and ODFIs Conducted by Experienced AAPs from TCH

- The NACHA Rules require all participating Financial Institutions, Third-Party Senders and Third-Party Service Providers to conduct an annual audit of compliance with Appendix Eight by December 31st. Don't wait until the deadline!
- As one of 12 regional payment associations providing expert payment education, an experienced Accredited ACH Professional (AAP) from The Clearing House can come to your site to successfully fulfill this annual requirement in a timely and efficient manner
- Your staff receives on-site training as we explain in detail the Rule requirements during the audit
- We review your procedures and controls and share industry best practices
- We go above and beyond the scope of the NACHA audit to review compliance for processing Federal Government Reclamations and Death Notification Entries, as we understand that non-compliance can be costly

LET OUR PROFESSIONALS ENSURE YOUR ORGANIZATION IS IN COMPLIANCE!

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Thanks for your participation today!

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