



FAST MONEY: The Jetsons ARE Today's Members

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.



Remember the Jetsons?

High Tech EVERYTHING

Colorful Characters



Everything at TOP Speed

Futuristic Ideal

Easy to Use

Clean. Fresh. Simple.



Colorful Characters

Gen Y, Gen X,
Millennials...call them
what you want.

They are smarter than
we give them credit for!

They are NOT in your
branches.

They bank with you
because their parents
did, they have a loan
with you, or somehow
you appeared cool.

They don't ask...they
expect a Jetsons-like
experience.

They are streaming
movies, tweeting,
blogging, creating their
own music.

They are your next
member. Are you
ready?



High Tech EVERYTHING

- Crypto/Cyber Currency for online trading and investing.
- Credit and Debit cards with EMV chips to tokenize and protect sensitive data.
- iPay, Samsung Pay. Mobile wallets...protected with biometrics, near field technology and tokenization.
- Mobile apps that help make buying decisions. Leveraging QR codes, and total account tracking.
- Loan requests with the click of a button in the palm of their hand.
- Apps that know you are in the store...rapid check out is just around the corner.
- Person to Person (P2P) payments in real time, all the time.



**“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!*



Futuristic Ideal

- A seamless user experience whether its in person or virtual.
- The ability to live chat with a member service representative any time any where.
- Spending and savings projections without asking.
- All the resources they need to manage their assets in one place.
- Confidence that their money, and their identity is secure.



Everything at TOP Speed

- A number of initiatives underway to improve the US Payments System:



The Clearing House's Real-Time Payments Initiative

TCH is building an industrial strength clearing and settlement system to support Real-Time Payments for the US

- The system is designed to ensure that payments are not only faster, but safer too, consistent with the CFPB's consumer protection principles and the criteria set forth by the Federal Reserve Faster Payments Task Force
- This system will allow consumers and businesses to send and receive payments instantly, directly from their accounts at financial institutions
- This system will also support the sending and receiving of data and non-payment messages to support the development of innovative products and services by financial institutions

TCH's Real-Time Payments system will be available to all US financial institutions

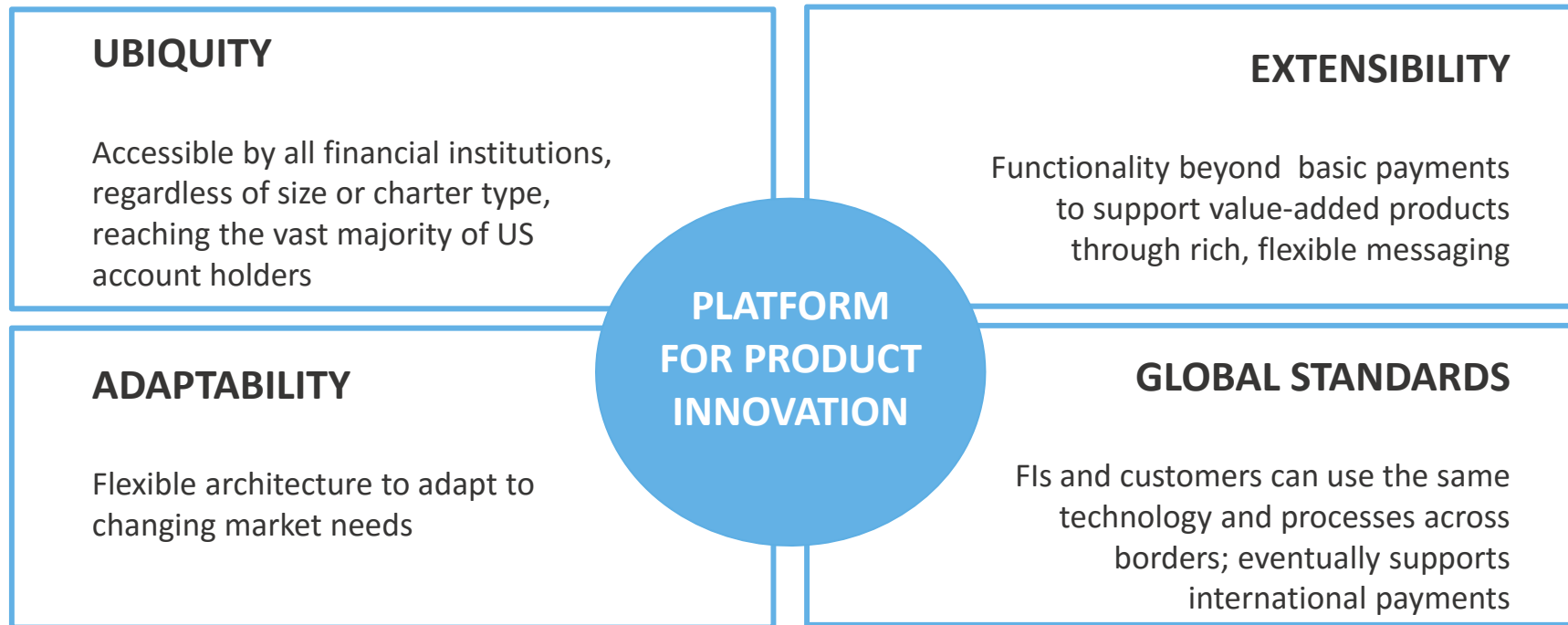
- All US financial institutions will have access to TCH real-time payments
- TCH's goal is to achieve ubiquity rapidly; we are working with partner organizations to achieve that goal

TCH Real-time Payments architecture is modular for adaptability to changing needs

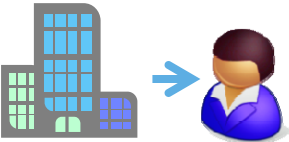
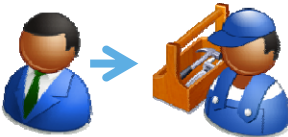


The system's modular architecture allows TCH and participating FIs to leverage best-of-breed technology for routing directories, anti-fraud, AML, network connectivity, security, settlement and value-added services



The Clearing House initiative to deploy a Real-time Payment system is driven by four guiding principles



The Clearing House real-time payment system is designed to address unmet customer needs across a number of targeted use cases

<p>BUSINESS TO PERSON</p> 	<ul style="list-style-type: none"> • Temporary employee wages • Emergency payroll • Urgent B2C (e.g., disaster relief)
<p>PERSON TO PERSON</p> 	<ul style="list-style-type: none"> • Non-commerce payments (e.g. rent payment to a roommate, emergency funds for a family member) • Urgent Account-to-Account transfers (e.g. to fund investments or purchases) • Informal services (e.g., babysitting, lawn care)
<p>PERSON TO BUSINESS</p> 	<ul style="list-style-type: none"> • Immediate bill payments with acknowledgment • Some e-commerce purchases
<p>BUSINESS TO BUSINESS</p> 	<ul style="list-style-type: none"> • Just in time payments to suppliers • Immediate bill payments with acknowledgment



Easy to Use

- All three initiatives are quite complex but focused on payments systems improvement.
- Designed as a platform to enable easy access to “pocket payments”, enabling consumers to move quickly.
- Providing security and certainty in payments.



Fresh. Clean. Simple.

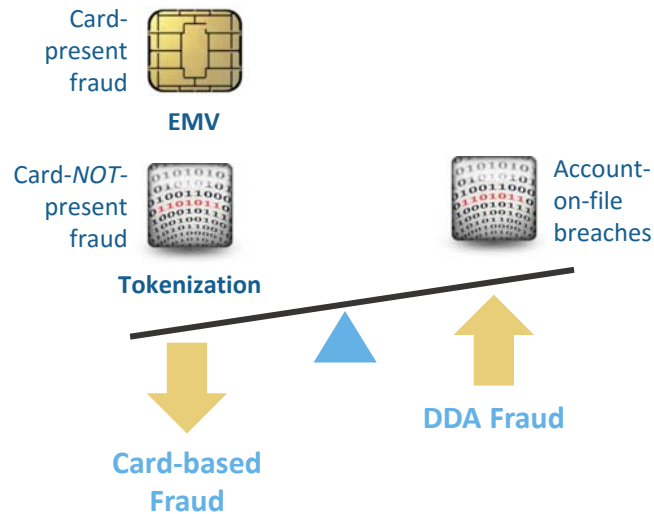


Greater protections for card-based payments increases the vulnerability of account-on-file information used for ACH transactions

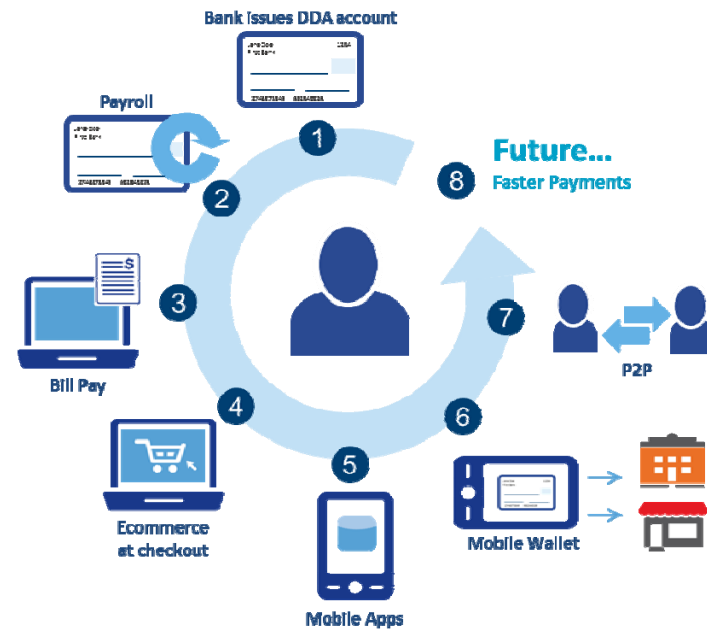
Initiatives to secure card transactions may have the unintended consequence - seen elsewhere - of increasing fraud in other channels. Adequate preparation for this likelihood could decrease the impacts to the long-term well-being of ACH transactions

ILLUSTRATIVE

Fraud follows the path of least resistance
As card payments become more difficult to attack, fraudsters will likely move to the next easiest opportunity



DDA information is greatly proliferated
DDA credentials are stored in many locations making them a potentially vulnerable target for hacking



Tokenization is a method of securing payment credentials to make fraud more difficult to perpetrate, and therefore hacking token credentials less attractive

Tokens substitute a limited-use random number (secure digital token) for customer's account numbers so that sensitive information remains safe. Even if compromised, the token is of limited or no use to cybercriminals

What is a token?

- **Looks like a DDA credential** – Tokens are not aliases like an email address or phone numbers, instead they are *form-factor preserving* credentials that use the same RT and account structure as the real-DDA account number that they protect
- **Acts like a DDA credential** – Tokens are valid payment credentials and do not alter existing payment authorizations. Further, they must be routable through the network without interruption to processing or clearing and settlement

Why are tokens effective?

- **Mask real account information**– The simplest form of protection is by creating a barrier between real DDA account information and the token. If a fraudster only has a token it makes it harder to impersonate the account-holder
- **Single originator issuance**– Tokens have a “many-to-one” structure meaning that a unique token is issued to each originator used by the underlying DDA account. If a fraudster hacks one originator, they can't use the token at another originator or channel
- **Additional domain controls** – Other domain controls could include credit only designations, dollar limit controls etc., with acknowledgement of some legal limitations



The New “Mobile Reality”

Consumers (and businesses) want their laptop or mobile device to be their branch of choice.

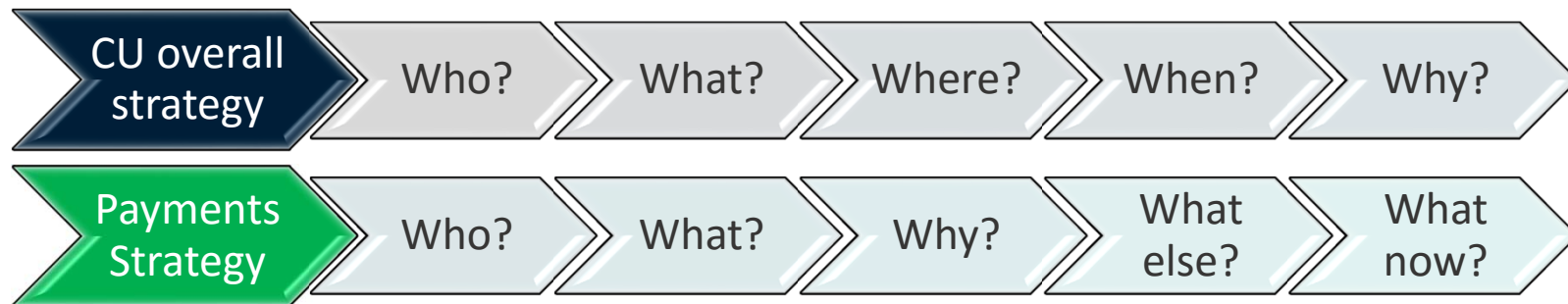
Banks and CUs who think like the consumers and serve up their financial picture will win.

Banking is no longer a proximity issue when it comes to payments.



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?



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.
- Execute to plan.



Watch and Listen

- Same day ACH. September 2016...3 phase approach.
- Cyber currency use on the rise.
- TCH Real Time Payments System – a faster channel for payments.
- FRB – speed and security.
- Tokenizing all payments...not just card.
- Distributed ledgers. Directory Services. Account validation. Block-chain.
- Many non-FI players enabling payments.





Thanks for your participation today!

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