

Michigan Credit Union League & Affiliates

Annual Convention and Exposition

Helping Credit Unions Serve, Grow and Remain Strong

#mcuace

Top 10 Moves to Position Your Payments Franchise

June 7, 2014 | 11:45 a.m. – 12:45 p.m.

Amy Smith, AAP, CAE – President & CEO
The Payments Authority



- 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.



Where are we?

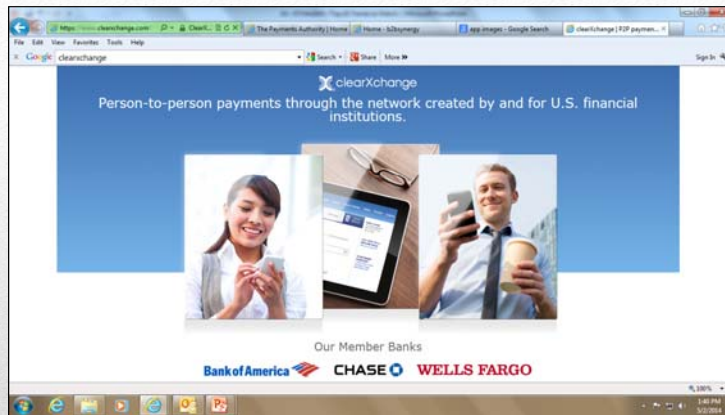
- **Ubiquity** – standards for the **WHOLE** industry?
- **Disintermediation** – non-FI solution providers in the channel business. Is this good or bad?
- **Oversight and Reform** – will the FRB as central bank step in and force change for the good of all?
- **Faster, better, cheaper vs. EASIER** – is easier what we all want?
- **Security** – Target as the Target. Can EMV help? Will it be too late?

What's the buzz?



- **The rulemaking route (NACHA).**
 - **Business Case vs. Implementation Cost.**
- **FRB Same day Service** – do it today! It's a product.
- **Private exchanges (clearXchange)**
- **DYI** – Independence Bancshares – Greenville, SC
- **Movement from rail to rail?**

1 - Faster Payments



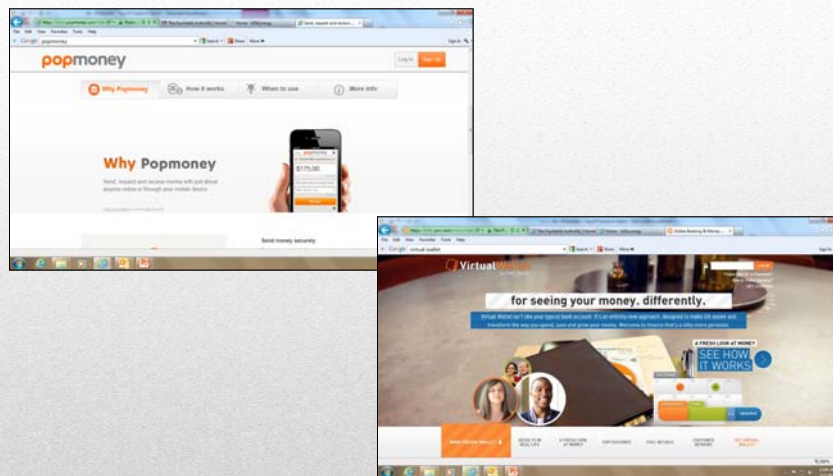
1 - Faster Payments



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- Many non-FI players enabling payments.
- Consumers and businesses don't care who is 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!

2 - Disruption = Innovation



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Your Move:
 Inventory Your Partnerships
 Who and What do They Affect?
 Due Diligence on Their Offerings
 Explore Broadened Partnership
 DEVELOP A MOBILE STRATEGY

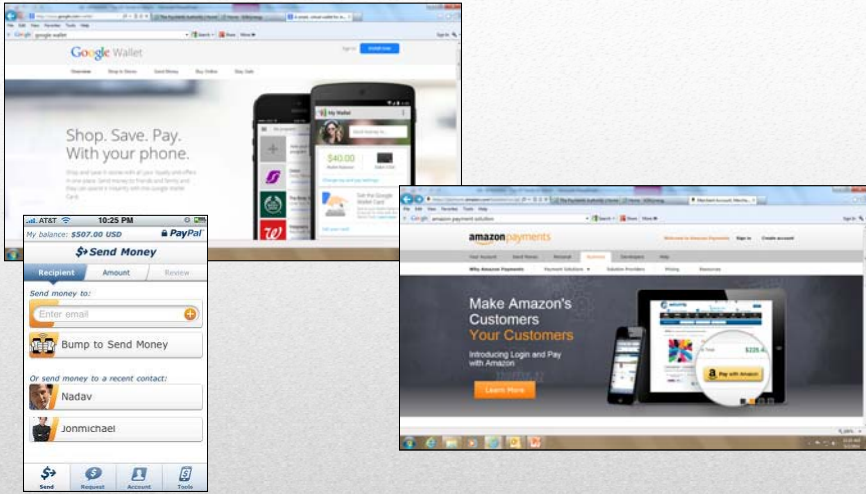
2 - Disruption = Innovation

- Firefox, Amazon and Google ...oh my!
- Dwolla, Stripe, Braintree....

The only thing that limits you is your own imagination.



3 - Net Giants Enter



The image displays three screenshots of digital payment services. On the left is the Google Wallet interface with the slogan 'Shop. Save. Pay. With your phone.' and a balance of \$307.00 USD. In the center is the PayPal 'Send Money' screen showing a balance of \$59.00 and options to send money via email or recent contacts. On the right is the Amazon Payments website with the slogan 'Make Amazon's Customers Your Customers' and a balance of \$225.40.

3 - Net Giants Enter



The image displays two screenshots of digital payment services, with a large orange starburst callout box in the center. The callout contains the following text:

Your Move:
 Conduct a Competitive Analysis
 Inventory what you DON'T offer
 Review ACH Posting for Clues
 Keep an Eye on These Disruptors

The background screenshots include the Google Wallet interface (left) and the Amazon Payments website (right).

3 - Net Giants Enter

- 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?
- Can anyone say leaderboard?



4 - Gamifying...Everything


“Next gen would rather text and play on phones than get their driver’s licenses!”

“If millennials don’t get what they want from you...they will just start a competitor.”

Gabe Zichermann – Gsummit
Payments 2014 - Orlando



4 - Gamifying...Everything



4 - Gamifying...Everything



Your Move:
 Understand your Current Demo
 "Play" on your website
 Be Critical
 Consider your Next Demo
 Borrow a 13 Year old!!!

4 - Gamifying...Everything

- **Businesses want the best routing for payments.**
- **Rails...what rails?**
- **Banks busy building/rebuilding platforms to interface with Quickbooks and other products so payments are just made...smart decisioning based on criteria.**



5 - Smart Routing

Your Move:
Conduct a Competitive Analysis
Talk to the Businesses You Have
Identify Their Pain Points
Talk to your Solution Providers

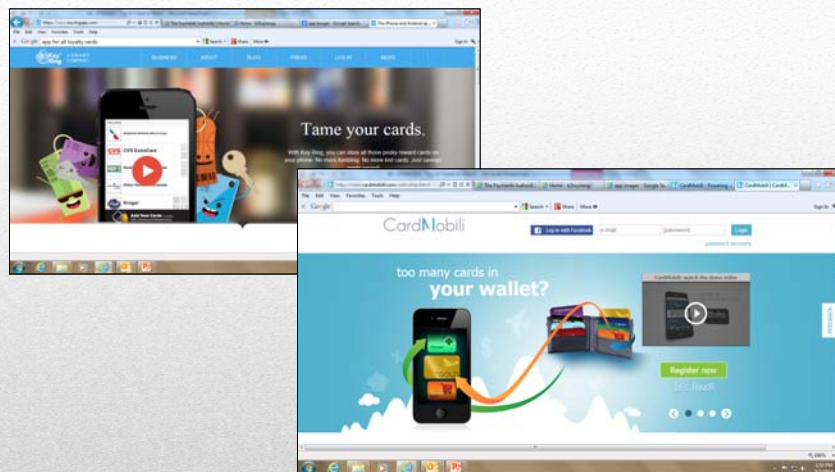


5 - Smart Routing


- Card payments saw the fastest growth.
- Virtual cards for vendor payment management and rewards.
- Payroll delivery routine.
- NFC dying off...EMV on it's way.
- Managing cards on an app.
- Cards announcing your arrival.....



6 - It's in the Cards



6 - It's in the Cards

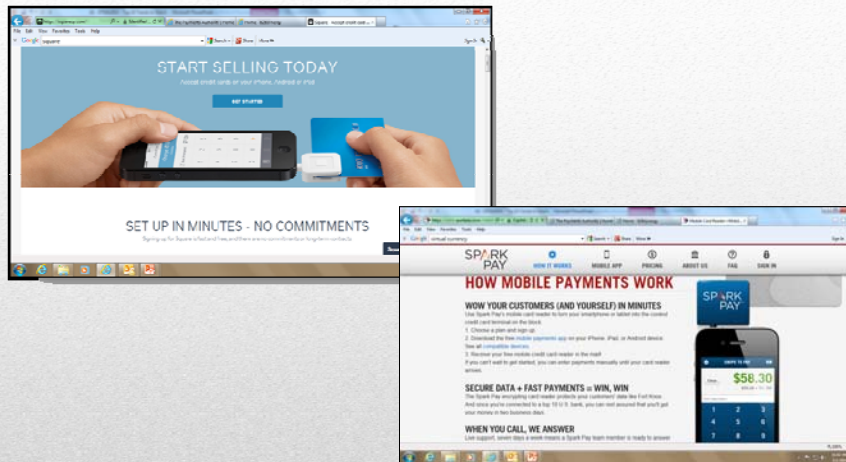


Your Move:
Understand your Role in EMV
Consider Next Gen Card Innovations
Educate Account Holders on Options

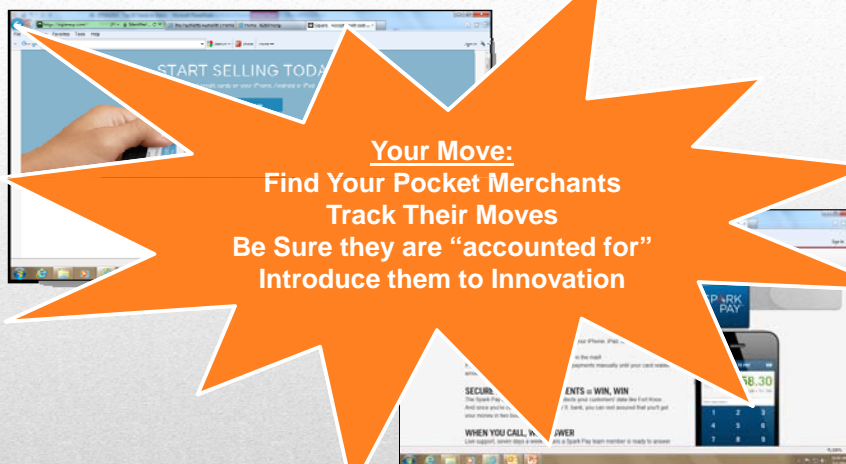
6 - It's in the Cards

- **Inspired by the next generation.**
- **Enabling business on the move.**
- **For the entrepreneur in everyone!**
- *Even the girl scouts in Colorado!!!!*

7 - Pocket Merchants



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7 - Pocket Merchants

- **Bitcoin:** First to market....most news.
- **Litecoin:** An altcoin – silver to Bitcoin's gold.
- **Peercoin:** Mined differently than Bitcoin.
- **Freicoin:** Encourages you to spend rather than hoard.
- **Ripple:** Not an altcoin. A payment system with currency.
- **Linden Dollar:** 2003 was currency in 3D Second Life.



8 - Cyber Currency



*Bitcoin is an experimental,
decentralized digital currency that enables instant
payments to anyone, anywhere in the world.
Bitcoin uses peer-to-peer technology to operate with no
central authority: managing transactions and issuing
money are carried out collectively by the network.*

8 – Cyber Currency



Your Move:
 Stay tuned
 Don't Panic if You See Settlement
 Keep an Eye on Overuse
 Talk to Your ATM Driver

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8 – Cyber Currency

- Merchants like Target reeling from losses.
- Corporate account takeover on the rise.
- Our quest for real-time, any-time, any-where convenience resulting in exposure.
- Regulators tests, watching.



9 – Data Security



Your Move:
 Test for Vulnerabilities
 Try and Crack Your Code
 Listen to Your Regulators
 It's a full-time job...Create One

• Me...
 • C...
 • C...
 co...
 • Regulator


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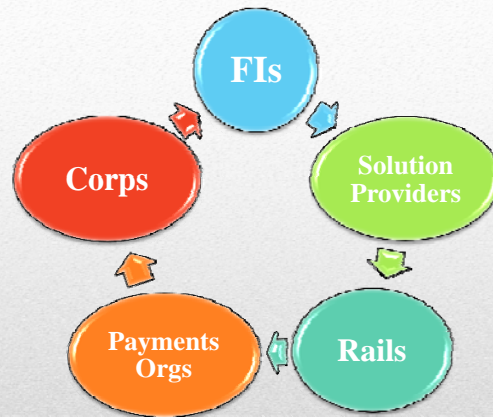
9 – Data Security



- **FI Treasury** – Focus on ease of use and security when calling on businesses. Auto posting to AR/AP big.
- **Operations** – Your current activity will tell you a great deal about your best next step.
- **Branch** – The key to consumer behavior, want's and expectations.
- **To all** – watch and learn. It's about to get really interesting. Payments landscape could be significantly different by 2016.

Parting Thoughts





10 – Industry Consolidation



10 – Industry Consolidation

Thanks!

The Payments Authority
580 Kirts Blvd Suite 301 Troy, MI 48084
(800) 450-2508
asmith@thepaymentsauthority.org
@AmySmithTPA



www.thepaymentsauthority.org



www.b2bsynergy.org