**Written Statement to the CSBS Emerging Payments Taskforce**

**By Jason Oxman, CEO of the Electronic Transactions Association**

The Electronic Transactions Association (ETA) is the international trade association of the payments industry, representing global financial services and technology companies that offer electronic payment products and services. ETA’s more than 500 member companies span the breadth of the payments industry, from financial institutions to transaction processors to independent sales organizations (ISOs) to equipment suppliers and mobile technology innovators.

Electronic payments play a vital role in the rapidly recovering United States economy. It is no exaggeration to say that commerce is this country is powered by electronic payments. ETA member companies processed more than $4.9 trillion in payments in the U.S. last year. More than 70% of U.S. GDP is attributed to consumer spending, and 70% of consumer spending is done electronically. In order to thrive, merchants must have electronic payments available to their customers. Electronic payments are crucial to commerce – in the United States and worldwide — and are becoming more innovative, with technology that promotes safety, security, reliability and usability.

Our industry is reinventing itself, and changing the way consumers and merchants see payments. Since the invention of the magnetic stripe card nearly fifty years ago, the payments industry has served the financial needs of merchants and consumers. Today, a period of innovation unprecedented in our industry – and driven entirely by marketplace competition -- allows merchants flexibility to accept multiple forms of payment honors consumer rights and preferences.

The payments industry provides safe, reliable, and rewarding products and services today – which is why U.S. consumers carry more than one billion credit and debit cards. The traditional plastic credit cards already in consumer wallets can now be accepted anywhere, fueling the entrepreneurial spirit. For example, PayPal offers PayPal Here, a device that allows individuals and merchants to accept debit or credit cards on their iOS or Android Smartphone or tablet computer through a small plastic device, which plugs into the audio jack and reads the magnetic stripe.

New payment technologies are keeping consumers safer. Although card fraud is a small fraction of overall volume in the U.S. (about $6 billion out of $4.9 trillion), and consumers have zero liability for any fraud, our industry is working hard to deploy new technology to further reduce fraud. ETA has long championed adoption of EMV cards as one protection for consumers. Encrypted cards currently only make up between 1%-5% of total card circulation in the US, but this number is expected to increase to 90-95% within the next 2 years. EMV helps further secure our nation’s infrastructure, in concert with ongoing deployment of tokenization technology (which replaces card account information with a single use “token” that cannot be used to access card information) and end-to-end encryption (which secures all retail systems that interconnect with the payments systems).

Other technologies are enhancing payments opportunities for merchants and consumers. Near Field Communication, NFC, is a technology compatible with EMV. NFC allows consumers to leave their wallets at home and use their phones to pay by simply “tapping” on the payment terminal in shops and anywhere else that accepts electronic payments. The NFC Times found that there were fewer than 40 million NFC handsets worldwide in 2011. However, according to iSuppli, that number will grow to 544.7 million NFC handsets by 2015, 31 percent of all mobile phones.

Bluetooth Low Energy, BLE, is another prominent short-range communications technologies with an installed base of more than three billion mobile devices. That technology offers consumers specific safeguards such as confidentiality of data, device authentication, authentication of unencrypted data and device identity.

Undeniably, mobile payments are on the rise. Mobile based transactions in the U.S. have grown 118% per year for the last five years. Nielson reports that more than four out of every five smartphone and tablet owners use these devices for shopping activities. The number of contactless transactions via mobile handsets will exceed 9.9 billion globally by 2018, up from 3 billion in 2014, according to Juniper Research. Worldwide, mobile payment transactions will total $235.4 billion in 2013, a 44 percent increase from $163.1 billion in 2012, according to tracking firm Gartner, which projects a 38 percent jump to $325 billion next year - and they are forecasting a market worth $721 billion with more than 450 million users by 2017.

We are on the cusp of widespread mobile wallet acceptance in the U.S. At present, mobile payments remains a story of high interest and low adoption, with just 16 percent of mobile device owners have using their phone to make an in-store payment during the first 3 months of 2014, according to the Yankee Group. However, there are some game-changers in mobile wallets such as PayPal, Google Wallet, V.me from Visa and Master Pass from Master Card, offering value and ease of use to consumers.

Digital wallets and mobile payment platforms offer opportunities to integrate marketing and loyalty programs with sales. Location based interactions provide tailor-made customer experiences. ETA member company Isis (owned by AT&T, Verizon, and T-Mobile) is one example, providing a free mobile app that uses NFC technology to let consumers pay and save at stores with just a tap of a smartphone. The Isis Wallet holds participating payment and loyalty cards while organizing offers and coupons for any-time access.

Additional frictionless payment options are now emerging. Apps such as ETA member Tabbed Out, a mobile app fully integrated with POS systems, allow restaurant customers to order, pay bills, split checks, and redeem offers directly from their phones.

Beacon technology is also being tested. These devices emit a short-range wireless signal that triggers an app in a customer’s phone when he or she walks into a store. If a customer has explicitly approved the location, it will allow the merchant to provide numerous services including access to order history and the ability to charge without tapping or swiping a card or device. Consumers will most appreciate the most innovative feature of BLE – they can make payments by “checking in” via mobile to a store, allowing them to skip the line and pay automatically on their mobile devices.

In electronic payments, innovation is also empowerment. New platforms are helping unbanked and under-banked individuals to command their finances and join the consumer marketplace. ETA actively supports startups developing innovative financial services for the under-served across the U.S. and around the world. At ETA’s TRANSACT 14 event last month, ETA presented the E-Pay Innovation Award, a $50,000 grant made possible through a partnership with the Bill & Melinda Gates Foundation, to Social Trade Organization (STRO) for its Cyclos software, which allows organizations to build dedicated payment systems by changing configuration without making code changes.

ETA’s member companies are international and compete globally. Mobile technologies are fueling the payments revolution, and mobile payments are already the norm in many places around the world: Kenya has more cell-phone subscriptions than adult citizens and more than 80 percent of those with a cell phone also use mobile money according to World Bank. In Japan, consumers have been able to use tap-to-pay technology from as early as 2001 and are currently able to pay via smartphone for convenience store purchases, at vending machines, and even to remit taxi, bus and subway fare; and USAID is working to scale the use of mobile money in Afghanistan. In this newly emerging Democracy, the use of mobile payments provides options to the previously un-banked and cuts down on graft and corruption.

ETA recognizes that increased scrutiny comes with our industry’s rapid growth and revolutionary technologies. In this already highly regulated industry, there is real risk of impeding the U.S. as an innovation leader if new platforms and technologies are reflexively regulated simply because they are new. We believe that the existing oversight provides the safeguards needed to effectively protect consumers.

Payments technology businesses are bolstered by robust compliance practices – including both their own in-house policies and ETA’s carefully crafted guidelines. We also work with well-educated, trusted and trained partners to ensure the safety, security and reliability of the nation’s payments infrastructure.

It is imperative to find ways to encourage new technologies and enterprises, ensuring that the mobile payments revolution will realize its maximum potential. Beyond reforming our regulatory framework, we need to pursue broader pro-growth policies that will foster innovation and investment in the payments industry.