

March 16, 2020

Hon. Wayne Easter, M.P.
Chair of the House of Commons Standing Committee on Finance
House of Commons
Ottawa, ON K1A 0A6

Mr. Easter,

Coronavirus (COVID-19) is a deadly virus that has not only affected individuals but has greatly affected commerce around the world. The Public Health Agency of Canada recommends individuals avoid close contact with people who are sick and, if you are sick, to stay home from work, school, and all other activities and limit close contact with others as much as possible. Additionally, governments and business are issuing travel restrictions and quarantines for citizens and employees. As a result, consumers are moving transactions online and merchants and businesses are seeing a decrease in revenue. To complicate matters, fraudsters are looking for opportunities created by the virus.

As an industry that powers commerce worldwide, electronic payment processors are concerned about the spread of COVID-19 and the impact it has on individuals and businesses -- especially small businesses -- across the globe. We want to be sure that governments are aware of the range of electronic payment solutions available to assist consumers and small businesses maintain normalcy and peace of mind in the face of this extraordinary situation. We believe that raising awareness of these options will help combat the spread of the virus and save lives.

Who We Are

ETA is the leading trade association for the payments technology industry, representing over 500 companies that offer electronic transaction processing products and services. ETA's members include financial institutions, mobile payment service providers, payment processors, mobile wallet providers, and non-bank online lenders that make commercial loans, primarily to small businesses, either directly or in partnership with other lenders. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with safe, convenient, and rewarding payment solutions and lending alternatives.

We Are Assisting The Fight Against The Spread Of Covid-19

The World Health Organization advises consumers to wash their hands after handling paper money and encourages the use of contactless payments (cards or phones) to deter the spread of COVID-19. ETA members have been pioneers in developing and implementing technologies that allow consumers to buy goods and services online and is prepared to assist consumers and merchants to continue transacting in a safe and efficient manner.

The payments industry offers consumers and merchants a range of alternative technologies to allow contactless commerce:

- Contactless payments – Consumers can securely tap their card or their cell phone to the point-of-sale terminal at a check-out counter to pay for goods and services. They do not have to hand over cash or their card to the merchant or actually touch the terminal. The transaction is securely processed with no contact.
- Peer-to-peer (commonly called P2P) – These platforms allow consumers to use their mobile phones to transfer money to their friends or make purchases from consumers. The transactions are done without face-to-face and hand-to-hand transfer of cash.
- ETA members have convenient digital “Pay” solutions that help make it easier for hundreds of millions of customers and small and medium-sized business around the world to securely and efficiently make purchases online.

Online Shopping Keeps Purchases Secure And Businesses Going In The Face Of Covid-19

As increasing numbers of Canadians work from home and reduce travel as a result of COVID-19, we are already seeing a rise in online shopping. The payments industry is prepared to handle the anticipated increase in online transactions.

ETA members utilize a number of automated and manual methods to detect and prohibit potential price gouging. We also anticipate an increase in fraudsters attempting to capitalize on COVID-19. The payments industry is committed to protecting consumers by fighting fraud. Indeed, consumers continue to choose electronic payments because of the protections afforded by electronic payments. These protections include, for example, zero liability for fraudulent charges, making electronic payments the safest and most reliable way to pay. This, in turn, ensures that the payments industry has a strong interest in making sure fraudulent actors do not gain access to payment systems.

As such, ETA reminds consumers to stay vigilant for scams, especially related to COVID-19. Bad actors may send emails with malicious attachments or links to fraudulent websites to trick victims into revealing sensitive information or donating to fraudulent charities or causes.

As consumers turn to online shopping to maintain their needs while experiencing restrictions due to COVID-19 containment, they can do so with absolute assurance that the payments technology powering every transaction is prepared for the volume and is backed by advanced security. The payments industry is constantly developing and deploying new security measures to fight fraud. These multi-layered security innovations are detailed in the following two pages.



Deploying The Latest Technology To Fight Fraud

Artificial Intelligence

The payments industry utilizes artificial intelligence (AI) and a number of other security measures to fight fraud in online transactions. The payments industry processed \$21 trillion in global payments in 2019 and recorded an average of roughly 2.4 billion transactions per hour. The payments industry deploys artificial intelligence and machine-learning algorithms which examines each transaction for indicators of fraud in real time—looking at activities, patterns and more than 500 risk attributes—all in about one millisecond. Furthermore, the payments industry compares each transaction against known fraud schemes and also uses the data to identify new or developing fraud schemes.

AI helps payment networks and banks detect anomalies in behavior that is outside the norm for a particular customer and their bank account. Anomalies could involve larger or more frequent transactions made in Canada or in other parts of the world. Once anomalies are identified, the fraud fighting process continues. AI allows banks to flag a pending transaction and then follow up with the cardholder in real-time for further information about the transaction in question.

Tokenization

One tool used by the payments industry to combat fraud is tokenization. Tokenization removes sensitive information from a transaction by replacing customer data with a unique identifier that cannot be mathematically reversed. In its simplest form, it works like a secret code substituting symbols for important information like a credit card number. This way, only banks and payment processors know real account information. Tokenization is used in multiple environments, so it's protecting consumers whether they pay with a card in person, online, or with a mobile phone.

In a tokenized environment, actual account numbers are replaced by one time-use tokens. These tokens represent account numbers but cannot be tied back to the actual account number. If a data breach occurs, the criminal only sees the tokenized code, which is useless to them because it cannot be used to generate a subsequent fraudulent transaction.

Encryption

Another layer of protection deployed by ETA member companies is the use of point-to-point encryption. Point-to-point encryption is an advanced risk management tool that helps further protect data throughout the transaction lifecycle. With point-to-point encryption, card data is encrypted from the moment the card is swiped or tapped, while the data is in transit, all the way to authorization. This technology minimizes opportunities for hackers and criminals to access data during a purchase.

Online Small Business Financing Helps Address COVID-19

The COVID-19 pandemic will trigger a reduction in sales for many small businesses. ETA members are already helping in many ways. ETA members offer access to a number of online small business financing options to help small businesses manage a change in cash flow and address risks associated with COVID-19.

- Many Lenders are waiving Fees and Offering Loan Forbearance. When a small business succeeds, the economy does, too. Many small business financiers recognize the threats posed by COVID-19 and are adjusting to assist small businesses manage the economic consequences.
- Applying for Financing Online - Many small business financing options are available online, 24/7. All a small business owner has to do is to visit a website, compare offers, fill out the application and wait for their response which in most cases can take as little as a few hours or a day to get the required financing.

Repayment Options for Decreased Revenue - Many small business financing options tie the repayment to the small business' payment card receipts. So, if the small business experiences a decline in revenue, the corresponding repayment amount drops, too. Additionally, many financing options in this space are non-recourse, meaning that if the small business must close its doors, the small business owners are not personally liable for the outstanding principal. Combined, these two features position the small business to better weather any downturn as a result of COVID-19.

- Free eCommerce Websites for Small Businesses - Many ETA members offer eCommerce website hosting for free. eCommerce sites allow small businesses with brick and mortar storefronts an easy way to continue conducting business online. They allow consumers to access their store without having to leave home.

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In conclusion, the payments industry provides many options for both merchants and consumers to stay safe and still engage in commerce during uncertain times. The payments industry is dedicated to using innovation to fight fraud and ensure that consumers have access to safe, convenient, and affordable payment services. In this way, ETA and its members are doing our part to mitigate the impact of COVID-19 on the health of individuals and the growth of commerce around the world.

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