

January 30, 2020

The Honorable Stephen Lynch
Chairman
Task Force on Financial Technology
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Tom Emmer
Ranking Member
Task Force on Financial Technology
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Lynch, Ranking Member Emmer, and Members of the Task Force:

The Electronic Transactions Association (“ETA”) appreciates the opportunity to submit this statement for the Task Force on Financial Technology hearing on “Is Cash Still King? Reviewing the Rise of Mobile Payments.”

ETA is the leading trade association for the payments industry, representing over 500 companies that offer electronic transaction processing products and services. ETA’s members include financial institutions, mobile payment service providers, 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.

Hearing

The focus of this hearing – security and financial inclusion – mirrors ETA’s 2020 policy priorities to fight fraud and ensure all consumers, including the underserved, have access to safe, convenient, and affordable payment options and other financial services. Consumers continue to benefit from a robust credit card payment system that provides nearly universal payment access and strong consumer fraud protections.

We appreciate the opportunity below to highlight how ETA members are working to innovate and strengthen the payments industry.

ETA Priorities for 2020

ETAs three major policy themes during 2020 are:

- **Helping the Underserved:** ETA members, through the introduction of new products and services have expanded, and are continuing to expand, financial opportunities for underserved consumers.
- **Innovation:** ETA supports the development and deployment of products and services that represents the future of financial services.
- **Payments Security:** ETA supports industry’s on-going efforts to keep the payments industry secure. Fighting fraud is a top priority for ETA and its members.

What follows is a discussion of these themes.

Helping the Underserved

One of the goals of ETA members is to provide high quality, secure, and affordable financial services for the broadest possible set of consumers. An inclusive financial system is one that provides consumers and businesses with access to a variety of financial products and services. Example of these include; prepaid products; mobile banking services; peer-to-peer payments; online small business lending; and financial literacy programs.

Both of the two other policy themes- innovation and payments security- expand accessibility for consumers and small businesses, lower costs, empower financial management, help the underserved, and drive a more secure payments ecosystem.

ETA annually produces an annual white paper¹ that catalogues the emphasis how the technologies, products, and services that the financial institutions, payments companies, and FinTech companies are implementing help the underserved. ETA's annual white paper explores how ETA members are working diligently to expand consumer access to payment options, credit, and other financial services to all.

Innovation

ETA member companies are creating innovative offerings, revolutionizing the way commerce is conducted with safe, responsible, convenient, and rewarding payment solutions and lending alternatives that are available to a broader set of consumers. This transforming marketplace through the integration of current and new technologies expands accessibility for consumers and small businesses, lowers costs, empowers financial management, helps the underserved, and drives a more secure payments ecosystem.

By bringing together traditional players and new participants, ETA members are constantly developing and deploying new products and services while touching, enriching, and improving the lives of underserved consumers while making the global flow of commerce possible. A goal of ETA member companies is to continually enhance the electronic payments and financial ecosystem so that it is accessible for all consumers, while ensuring their transactions can be completed securely, efficiently, and ubiquitously.

Payments Security

ETA member companies take seriously their affirmative and continuing obligation to protect the confidentiality and security of their customers' information. Our payments systems are built to detect and prevent fraud -- and to insulate consumers from any liability. As evidence of this fact, the payments industry assigns consumers in the United States zero liability for fraud. The cost of fraud is borne by payments companies. Considering this financial responsibility and a desire to preserve consumer confidence in the security of electronic transactions, ETA members have a strong interest in making sure fraud does not occur. Towards that end, payments technology businesses are bolstered by robust compliance practices – whether their own in-house policies, or ETA's own carefully crafted industry Guidelines, which establish underwriting practices to help payments companies detect and eliminate fraud.

¹ Electronic Transactions Association (2020). *How FinTech is Addressing the Needs of the Underserved*.

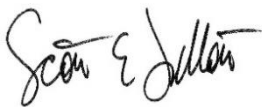
Examples:

- **EMV:** ETA has long championed the adoption of EMV enabled chip cards. EMV is one part of the overall, multi-layered solution to protecting data, consumers, and the payments system.
- **Tokenization:** Removes sensitive information from a transaction by replacing customer data with a unique identifier that cannot be mathematically reversed. Tokenization is designed to work when a consumer pays with plastic in person, online, or with a mobile phone. If a thief steals the tokenized identifier, it is useless to them.
- **Encryption:** ETA member companies use of point-to-point encryption. It is advanced risk management tool where card data is encoded from the moment the card is dipped, swiped or tapped, all the way to authorization. This technology minimizes opportunities for hackers and criminals to access data during a purchase.
- **Artificial Intelligence:** Payment companies use advanced artificial intelligence and machine learning systems that monitor transactions and data patterns to detect unusual activity that may indicate an account has been hacked or a card lost or stolen.
- **Mobile Payments:** Using a mobile device to initiate a transaction will soon be as common as swiping a card. Mobile devices provide enhanced security, including passcode protection for the phone, biometrics security like a fingerprint, secure chip technology, and geo-locational information to assist with verification.

ETA and its members encourage policymakers to support these efforts through policies that encourage innovation, security and the use of technology to improve financial inclusion for all consumers. ETA advocates that policymakers remain thoughtful and forward-thinking in how to best support the industry's ongoing efforts to provide opportunities for all consumers and small businesses to access and benefit from innovative financial products and services.

ETA would like to thank the Task Force for this opportunity to provide this statement for the record on this important topic and we appreciate your leadership on this important issue. If you have any questions, please feel free to contact me directly at stalbott@electran.org.

Sincerely,



Scott Talbott
Senior Vice President of Government Affairs
Electronic Transactions Association

Attachment: ETA's *How FinTech is Addressing the Needs of the Underserved* White Paper