

June 19, 2020

The Honorable Governor Gavin Newsom
State Capitol
1st Fl.
Sacramento, CA 95814

Dear Governor Newsom,

COVID-19 is a deadly virus that has affected individuals, businesses, and commerce around the world. As we social distance and work from home, consumers are now shopping online and moving money digitally more often. To complicate matters, fraudsters are looking for opportunities created by the virus.

As an industry that powers \$24 trillion in digital commerce worldwide, we are concerned about the spread of COVID-19. ETA members are focused on helping consumers and small businesses. This takes the form of helping governments deliver billions of dollars in stimulus payments, encouraging the use of contactless payments, and fighting fraud.

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 secure, convenient, and rewarding payment solutions and lending alternatives – employing millions of Americans and enabling over \$9 trillion in payments in 2019 in North America alone.

DELIVERING GOVERNMENT STIMULUS TO INDIVIDUALS

As Americans struggle with the fiscal impacts of COVID-19, federal and state governments are providing stimulus and unemployment payments to individuals – and the electronic payments industry is helping to deliver those benefits in a quick and secure manner so people get the help they need as quickly as possible.

One of the most common ways to receive government benefits is through prepaid products. These cards can be loaded by the government that are instantly available. Consumers can then use them to make purchases and obtain cash from ATMs or retail locations. The cards have long been used by federal and state governments to deliver many government benefits. The cards can also be reloaded if additional benefits are delivered or stimulus money is allocated in

the future. Prepaid cards offer Americans instant access to much-needed capital without waiting days to receive and cash a check.

Specifically, as it relates to COVID-19 and the CARES Act, ETA members have:

- Delivered over \$9 billion in Economic Impact Payments (EIPs) via prepaid cards to 5.7 million Americans¹, and
- Helped states distribute their unemployment benefits including the \$260 billion in additional unemployment benefits in the CARES Act.

PEER-TO-PEER PAYMENT SERVICES

Also known as P2P payments — peer-to-peer payment services like PayPal, Venmo, Zelle, and Cash App allow users to send one another money from their mobile devices through a linked bank account or card. Consumers are not typically charged to use them. Hundreds of millions of Americans used P2P services to transfer over \$300 billion dollars during 2019. Consumers can use P2P services to store money, make purchases at merchants, transfer money to other users on the same system and, as previously noted, to reload prepaid cards.

Because P2P services can be accessed from a smartphone, they can reach the vast majority of individuals, regardless of where they live or whether they have access to a bank account. The Pew Research Center found that 98% of the U.S. adult population has a mobile phone, and that 81% of people have smartphones.² That number has been steadily increasing and is expected to rise further. The ubiquity of smartphones has made it an ideal platform to house robust payment solutions.

While final numbers are not yet available, it is estimated that hundreds of thousands of EIP stimulus dollars were sent to P2P accounts directly. P2P services thus made it possible for individuals to securely and quickly receive stimulus money and then immediately use it to make needed purchases, or transfer money to a family member or friend.

RELIEF FOR CONSUMERS

In addition to using digital tools to securely and quickly deliver stimulus monies, ETA members are taking the following steps to help their customers:

- Credit/Debit Card Customers – Waiving of fees, lower monthly minimums, suspending reporting negative information to credit bureaus, and offering deferrals and forbearance programs.

¹ As of June 5, 2020

² <https://www.pewresearch.org/internet/fact-sheet/mobile/>

- Encouraging customers to access their financial accounts from home 24/7 using a website or their mobile app to check balances, make payments, transfer funds, deposit checks, and/or find the nearest ATM.
- Temporarily closing affected locations, augmenting daily cleaning procedures on high-touch surfaces, and educating teams on best practices as recommended by the CDC.

WE ARE ASSISTING THE FIGHT AGAINST THE SPREAD OF COVID-19

ETA members and the global payments industry are also helping consumers transact in a safe and efficient manner when they want or need to shop in person, by providing alternative payment options such as contactless and mobile wallets alternatives.

The World Health Organization advises consumers to wash their hands after handling paper money and encourages other actions to help deter the spread of the virus. During the pandemic, consumers have clearly demonstrated their own preference to move away from cash and toward alternative methods of payment.

The payments industry offers consumers and merchants a number of different technologies to allow contactless commerce:

- Contactless payments – Consumers can securely tap their card or their cell phone on the point-of-sale (POS) terminal at 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 POS. The transaction is securely processed with no contact. Contactless payments have increased 79% during the pandemic.³
- 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 or 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.

KEEPING ONLINE PURCHASES SECURE AND BUSINESSES GOING IN THE FACE OF COVID-19

As Americans work and shop from home, we are seeing a dramatic increase in online shopping. The payments industry anticipated the increase in online transactions and is prepared to handle the increased volume. Now, more than ever, we are also working to ensure that online payments are secure.

³ Mastercard Global Consumer study (April 2020)

We know that fraud increases in times of crisis, and COVID-19 is no exception. The payments industry is committed to protecting consumers by fighting fraud by utilizing a number of automated and manual methods including those outlined below to detect and prohibit fraud or other bad acts, including price gouging. Indeed, consumers continue to choose electronic payments because of the protections afforded by electronic payments. These protections include zero liability for fraudulent charges, making electronic payments the safest and most reliable way to pay.

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.

AI helps payment networks and banks detect anomalies in behavior that are outside the norm for a particular customer. Anomalies could involve, for example, larger or more frequent transactions than are typical. 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

Another tool used by the payments industry to combat fraud is tokenization. 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 complete 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

COVID-19 has triggered a reduction in sales for many small businesses. ETA members are helping those businesses in a variety of ways. For example, 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.

- Paycheck Protection Program - As of June 12, the Small Business Association has disbursed \$512 billion to 4.5 million business. Of these amounts, ETA members have

distributed \$103 billion to nearly 1.3 million business as active participants in the PPP program.

- Many Lenders are waiving fees and offering loan forbearance.
- 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.
- Free eCommerce Websites for Small Businesses - Many of 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.

In conclusion, the payments industry provides many options for both merchants and consumers to stay safe and continue to engage in commerce, particularly during these 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 working hard to mitigate the impact of COVID-19 on individuals and assist with the growth of commerce around the world.

To learn more about these efforts and how the payments industry is helping during COVID-19, I invite you to ETA's free educational event on June 26th. To register, please visit <https://www.electran.org/eta-events-awards/2020-eta-university-etau-covid-edition/>

If you have any questions or wish to discuss any issues, please contact me or ETA's Manager of State Government Relations, Tom Bloodworth at tbloodworth@electran.org.

Sincerely,



Jodie Kelley
CEO
Electronic Transactions Association