

**Meeting Between Federal Reserve Board Staff and Representatives of Visa  
July 17, 2015**

**Participants:**

Louise Roseman, Susan Foley, Stephanie Martin, David Mills, Krzysztof Wozniak, Clinton Chen, Slavea Assenova, Ian Spear, and Andreas Westgaard (Federal Reserve Board)

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**Summary:** Representatives of Visa met with Federal Reserve Board staff to discuss their observations of recent market developments related to the deployment of EMV (i.e., chip-based) credit and debit cards in the United States. Representatives of Visa also provided an update on payment tokenization and Visa's role as a token service provider. Finally, Visa discussed the role of consumer choice in the routing of card transactions to payment card networks.

Attachment

# EMV and Tokenization Updates, and Cardholder Choice

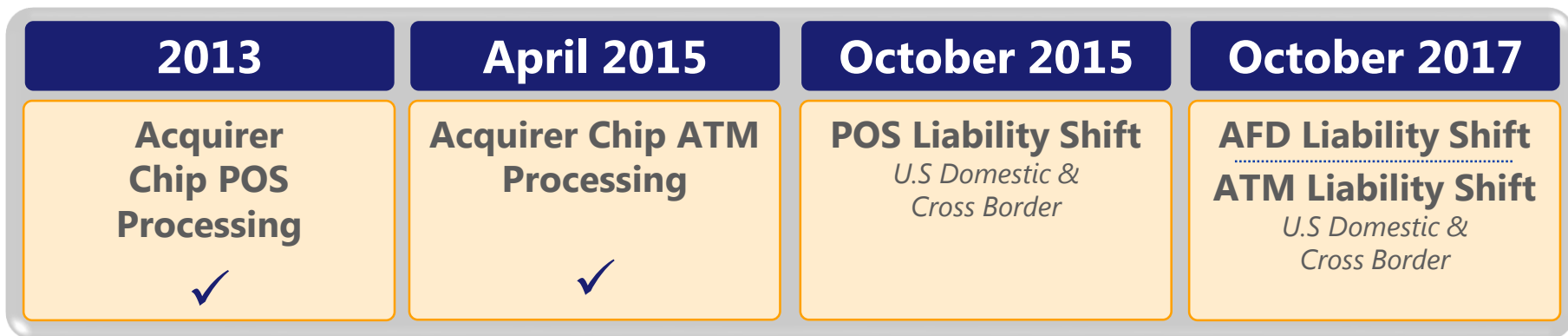
**Discussion with the Federal  
Reserve**

July 2015



**VISA**

# EMV Migration Momentum



## Payment Security Taskforce

- The industry continues to focus on enhancing payment security throughout the ecosystem by promoting and facilitating adoption of EMV, tokenization and encryption

## Progress and Ongoing Challenges

- Visa is actively engaged with acquirers and terminal vendors as the industry continues to progress towards a common debit solution
- Visa EMV chip cards increased to 117.1M as of the end of June 2015, 33% of which are debit cards
- Approximately 38% of POS terminals have EMV chip hardware and ~247,000 merchant locations have activated EMV chip software
- There have been several requests from large merchants to delay liability shift dates, and one merchant trade group has launched efforts to facilitate these requests. Visa remains committed to the EMV roadmap while supporting merchant efforts to determine an implementation plan that works best for their business

Sources: Cards and terminal estimates per VisaNet data as of June 2015. EMV merchant locations based on VisaNet data for unique locations with chip transactions as of June 2015.

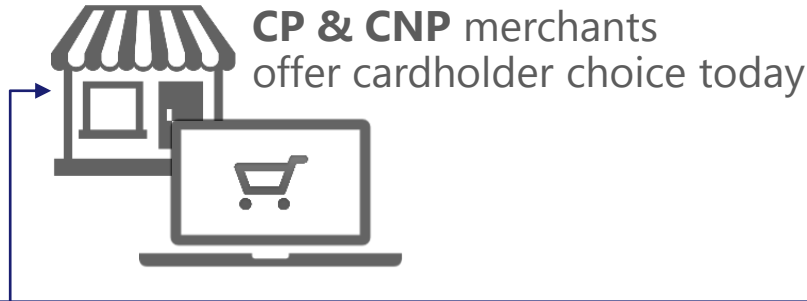
# Cardholder Choice Background

- Currently cardholders have a variety of options to select a payment brand when they pay in card present (CP) and card not present (CNP) environments. Many cardholders continue to choose based on preference and brand-specific benefits
- Changes in the payments industry are accelerating the deployment of more sophisticated POS terminals, and some implementations appear to be reducing or eliminating cardholder choice
- Visa Rules and Guidelines require both CP and CNP merchants to offer, honor, and confirm cardholder choice of payment type
- To compete with large banks, some small issuers offer debit rewards that may be dependent on the cardholder's use of a specific network
- Cardholder choice is important to consumers because of differentiated benefits offered by issuers (e.g., rewards, no fees, etc.) and the networks (e.g., liability protection, transaction alerts, etc.)
- Maintaining cardholder choice benefits the entire ecosystem by fostering competition among networks and between issuing banks, driving all stakeholders to deepen investments in improved security, innovation, and unique sponsorships and promotions



# Timeline for Communication and Implementation

## Flexible approaches by POS environment



**AFDs** will be able to maintain cardholder choice as they upgrade their POS in the future to support security enhancements like EMV and encryption



**Today**

**August 2015**

**April 2016**

**October 2017**



**Communicate and engage** with industry stakeholders to remind them of existing requirements to offer, honor and confirm cardholder choice



Engage with **more sophisticated** merchants that have customizable POS environments to ensure cardholder choice is part of the checkout experience



Merchants with **less sophisticated** POS environments are unlikely to be impacted

# Summary

- Innovations in the payments industry will accelerate upgrades to the U.S. POS environment with more sophisticated terminals that will improve the ability to offer cardholder choice
- While Visa Rules have long supported cardholder choice, some emerging POS practices are beginning to omit choice, resulting in negative cardholder experiences
- Providing the cardholder with a choice of networks and correctly identifying Visa transactions will help mitigate confusion over which network's rights, obligations and protections may apply to the transaction
- For engaged cardholders, choice ensures they can receive all of the benefits associated with their Visa card, including rewards, Zero Liability protection and the security and reliability of the Visa payment network
- While Visa has provided some examples of cardholder choice implementation options, merchants can work with their acquirers to develop tailored approaches that work for their POS environments