

Jodi Golinsky

Female Speaker:

You've got my name on there; thank you. I think Victor forgot to mention that his preferred network is MasterCard.

Male Speaker:

It's true.

Female Speaker:

Okay, great. And that's fine.

It's always hard to follow somebody who has videos when you're also the stand-in. I was -- I did have a chance to speak to Josh this morning and I was joking with him. I'm our U.S. Regulatory and Public Policy council, so I work with Josh and a number of business folks all the time as their attorney, and I'm often giving Josh advice about the things I want him to talk about and the things that I don't want him to talk about. So, I hope that I will listen to my own advice and not say the things that I didn't want Josh to say today.

What I'm here to do is give you an overview of our mobile payment space, and MasterCard is -- obviously, as you've heard this morning from various folks and also what Victor's just shared with you -- mobile is really huge, and MasterCard's view is that we believe that mobile is truly the next big thing in payments and that the innovation that you see in the mobile space is staggering. What's also staggering is when you consider the statistic that there are three-plus billion people in the world globally who have mobile phones, and that mobile networks actually cover 80 percent of the global networks around the world. So, you are talking about something that is truly ubiquitous. This figure is double what the figure was in just the year 2000, so in 10 years, you're talking about a growth that is just astronomical.

The way MasterCard views mobile and what we do is that we think that we bring two special things to the product offering here when it comes to using mobile, and those two things are: first, our network, and then second, which is our brand. Our network, the MasterCard network, is the backbone of our value proposition for mobile. Excuse me. And so, we have a solid technical foundation that is both flexible, but that is also rigorous and already in place to accommodate emerging trends, not just for mobile, but for any payment trend.

The architecture of a payment network is so much more than simply the configuration of various endpoints. The architecture of our network is that it is both stable but able to change, and also flexible and resilient, and it can take on new kinds of technologies in the like. Some benefits to our network that are unique to other places, where you might not have a network from which your also operating something that's new on, is that we do have, in our network, real time access to data so that we can manage fraud. You can also have consumers being able to manage their own finances on a real time basis through a very sophisticated network. We also have incredibly fast payment processing. We also

have global interoperability; I know that was one of the points made earlier, and there are always concerns about interoperability when you are also introducing new technologies. Our network is global, and it is interoperable around the world. What this does, of course, is it creates efficiency and it creates scale, and then you can also introduce new products, even if you're multinational across different cultures, in a very cost effective way, and you can do that as a single source.

One of the other things about our network is that there is an easy integration of multiple emerging payment channels, again, with the flexibility to bring new products to market using the existing infrastructure, and so that is of great value to us and that is why we consider ourselves unique here. What we are seeing is a very large conversion, now, of the use of cash and check to some kind of plastic at an increasing rate. One of the statistics that we have here shows that in 2008 -- sorry, let me start again -- in 2008, approximately 41 percent of consumers -- and this was a study done by BAI and a consulting group -- that 41 percent of consumers were using cash less than they did in 2006. Now, that was a study from 2008. I think if we did another study in 2010, you would see that the move from cash and check to plastic is really enormous. Often times, people ask MasterCard, "Who is your biggest competitor?" Not to suggest that other networks are not our competitor, but, of course, our competitors are, in fact, cash and check. And we are seeing consumers, particularly young consumers, really moving away from the use of cash and checks to payment vehicles.

One of the things that MasterCard does is that we connect financial institutions and merchants around the world. In 2009, we processed approximately 21 billion transactions with the gross dollar volume of \$2.5 trillion. So, we believe that we are changing the way that people pay from things and that we are driving the future of payments. Mobile is one of our key innovators, and it's where we're really moving most quickly and most aggressively because there's so much innovation to be had there.

Having given you that background, I want to just go through sort of the MasterCard view about mobile and what our strategy is. And so, we look at mobile as four different sort of buckets that conveniently look like the MasterCard logo, as well.

[laughter]

The four ways we look at mobile: first, which is the most sort of obvious way, is that we look at mobile as a payment device. So what we are looking to do is to get people to use their phone for their usual, everyday payments, for everything they would usually use a card for anything else. We want them to do that through the technology on their phone. It's a form factor, and we try to do that through what we have as a contact list device, PayPass; I'm going to talk about that more in a few seconds, but we are doing that as a layer on to technology that we have already created through the PayPass network, PayPass product functionality.

The second piece of our strategy is the value-added services, and I think Victor did a great job of talking about consumer demand in the area of mobile, not just for payments,

but people who want other things from their phone and from their payment providers, and so we're very focused on value-added services so you can enhance the overall buying experience for a consumer by providing them with value-added services that are wrapped around their transactions: alerts, offers, coupons, and locations. You can, in real time, see that there is a shop that is your favorite shop and you can get a coupon downloaded right to your iPhone or right to your mobile device and be able to use that.

The third way, which is another way that we are expanding greatly, is the idea of using the mobile device as a payment channel itself, and we think that there are new opportunities here, just because of the enormous capabilities that phones bring into the payment space. So, we're talking here about the idea of being able to initiate payments remotely, and you can do P-to-P kinds of payments. You can send money to your kids in college. You can send money to your babysitter. You can send money to somebody on Facebook, or you can send money to somebody off of Craigslist.

Am I not loud enough? Okay. Can everyone hear me?

You can send money to someone that you've just purchased something off of Craigslist. So, there is an enormous ability to do P-to-P payments. Again, using the MasterCard as the backbone to do this, and we take this really seriously. I'm going to talk in a few minutes about some things that we have done in terms of our MasterCard Mobile MoneySend, huge programs that we've launched, and how that's worked out for us.

And then the last piece of our strategy is to use the mobile as also an acceptance device, and this comes very handy if you are a small business and you want to be going from location to location; you don't want to have terminal and equipment that you are taking with you. You can actually use your mobile phone to be an acceptance device. And so, one of the key things, and what makes mobile so different than other payment forms, is that you see that is actually transforms across the entire payment chain. It can be used as a payment device, as a way to get extra value, and also as an acceptance device; it's everything wrapped into one, which is why it has so much potential and so important to us.

Just building on what I mentioned before and what we do in terms of the card, is that we have decided to -- we basically explored numerous technologies in terms of performing our mobile, including Bluetooth, Infrared, and various other sort of mobile messaging formats, and we ultimately decided to focus on contact lists as where we were going to move with mobile, and we did that because we believe that the contact list is the best experience that consumers have at the points of interaction. And some proof points about this, which just shows you sort of where we're moving with PayPass, too, is that in the 4th quarter of 2009, there were nearly 70 million PayPass cards and devices located around the world in use, and more than 200,000 merchant locations that were PayPass-enabled to take at the point of interaction. This is also in 33 countries. So, we are really expanding the footprint that we have of that PayPass technology around the world.

A couple of examples of things we have done in the mobile space using the PayPass technology is that we recently launched a mobile trial in -- with Citi, Nokia, Vodafone, and Vivotech in Bangalore, India. We also launched Mobile MoneySend in the U.S. with Bankcorp -- with Bankcorp Bank, and that's, again, to facilitate those P-to-P payments domestically, literally via your mobile phone. So, you do not need to go to a bank; you can transfer money to and from individuals right off of your phone, and contact list is a very secure and efficient way to do that, and consumers like it.

We're just talking a little bit more generally, again, about mobile commerce. This is the idea that you can use your mobile phone to basically do all of the things you would normally do in terms of a payment vehicle, and you are doing that in a very convenient and very easy way. It's obviously preferred that you do that on NFC-enabled phones. That's obviously the most secure, and that's really what we're -- our goal is to get to that. Not all phones are NFC-enabled so we do have the ability to do that in less secure phones, but, the goal, of course, for industry, is to move towards that more secure phone and be able to do as much as you can. On lower-end phones, we're focused as well, and I know this has been mentioned in the morning -- thank you -- has been mentioned in the morning that we are focused on the under-banked and the unbanked. You know, there are a lot of folks who do not have access to banks, let alone bank products, and so this is a way to make sure that you are serving the underserved and also folks who may not have the most sophisticated phones in the world.

This is just a little bit more on the value-added services to give you a sense of what it is. There's a lot of flexibility, and I think Victor did a great job at just showing you the dozens and dozens of apps that are out there. I read a New York Times article a few weeks ago that showed this woman that said she was feeling insecure; there's a whole new culture now that if you don't have a lot of apps on your iPhone, that you are somehow less in tune with other people.

[laughter]

I choose not to have one and that solves my problem all together, but... There are any number of apps that you can download, and how many apps you have really says a lot about who your personality is; what's on your iPhone. MasterCard, too, has its own apps that we try to help push out to consumers to give them value. One of them is our Priceless Picks and this is, again, one of these value-added sort of applications that will tell you where you can get offers, or something that's close to buy in your neighborhood to help you, you know, get the most out of your phone and what you want to do with your life in your free time and your money.

Another one that MasterCard has, which is a very popular app that we have, is the MasterCard ATM Hunter. Using GPS technology, you can use the MasterCard ATM Hunter to basically know where you can find an ATM to get money, wherever you are around the world. While that seems a little ludicrous here, possibly -- I live in the city. So, New York City, you don't have to really worry too much about an ATM because

they're on every corner, but there are places where you really don't know where your ATMs, are and that ATM Finder is really special.

Here's just a little bit more on the acceptance piece and how you can leverage a Smartphone as an acceptance terminal. This is an example of how that looks. There is, you know, a little piece of technology you see there, and you can literally take your iPhone and actually run a swipe. And if you're an electrician or if you are a -- somebody who is a street vendor, there are any number of places where this can be very, very useful to business, and drive commerce, really, for folks who would otherwise not be able to take credit cards in places where people want to use credit cards, and using the mobile phone as a payment device, as an acceptance device is very important to us.

So, I am going to close here by just throwing up a bunch of these things, and I'm going to highlight just a couple for you. MasterCard, if you see in the far left, we were the first to actually do a PayPass Tag pilot in Canada. I mentioned that the pilot that we're doing to Bangalore; you can also see that in the U.K. in the bottom with the Orange and Barclaycard, that we are doing the first commercial mobile NFC deployment there. Another thing that's probably worth highlighting is Obopay; we have partnered with Obopay to literally have a fully integrated, on demand, P-to-P mobile payment service that is a one-stop shop for any kind of P-to-P that you would wish to do that's launched here in the United States. And we've also been [sic] a pioneer with RBS in London to do mobile phone debit payments in the U.K. using Maestro PayPass.

Now, all of these are examples of new things that we're doing in this space, and I have one more minute. I'm just going to mention quickly that the successes that we see, just in terms of core discussion, is that there is development and adoption of NFC and EMB standards by the market. We believe that that is one of the important successes because it's the greater secure model of doing things. We've developed and rolled out any number of PayPass programs, as evidenced here. We think that's a huge success. We've developed products that allow you to do over-the-air provisioning of your services. One of them is called MOTAPS; it's a MasterCard mobile over-the-air service, so that once you have a provider, you can actually set up your phone and do all of those things over the air. We have something called CAP, which is our Chip Authentication Program; again, another success here in this area, where we are trying to match technology and security with innovation. We've went through some NFC trials in the U.K., India, Japan, Taiwan, and France. We've developed mobile money in Brazil, and we actually are the world's only commercial deployment of mobile PayPass in Korea.

Challenges, which I think it's only fair to mention, and I think I have already alluded to this. There's the challenge about NFC; it is not always available, so then you are looking at possibly less secure mobile phone where you're conducting payments, and that's something that is a challenge. And this was also mentioned earlier: there's a very large challenge in terms of the lack of harmonization between telcos and banks, more so in the U.S. -- as I know one of our panelists is going to speak otherwise -- but here in the U.S., there is great lack of harmonization between banks and telcos, and that's because of existing business models and that is a very serious challenge. There's also a challenge on

the merchant side, the merchant demand for this, because the cost of POI or POS deployment; that's a challenge for us, as well. It is costly, although I think if you look to the future, it's an investment that's worth making. And then one of the things I will also say is a challenge for us is a lot of banks, although they're interested in mobile, they're interested in getting into the space, they don't necessarily understand how to leverage it, and I think that's partially where MasterCard comes in.

I see that my time is up, but I thank you for letting me go through this and I look forward to questions at the end. Thanks very much.

[applause]

[end of transcript]