



# Overcoming International Payment Obstacles

Nancy Cournaya

Bank of America Merrill Lynch



# Today's discussion

- What Obstacles Exist?
- How Card Solutions are Viewed by your Peers
- Meet Strategic Objectives for International Travel
- Payment Options for International Travelers
- The Move to Chip Technology

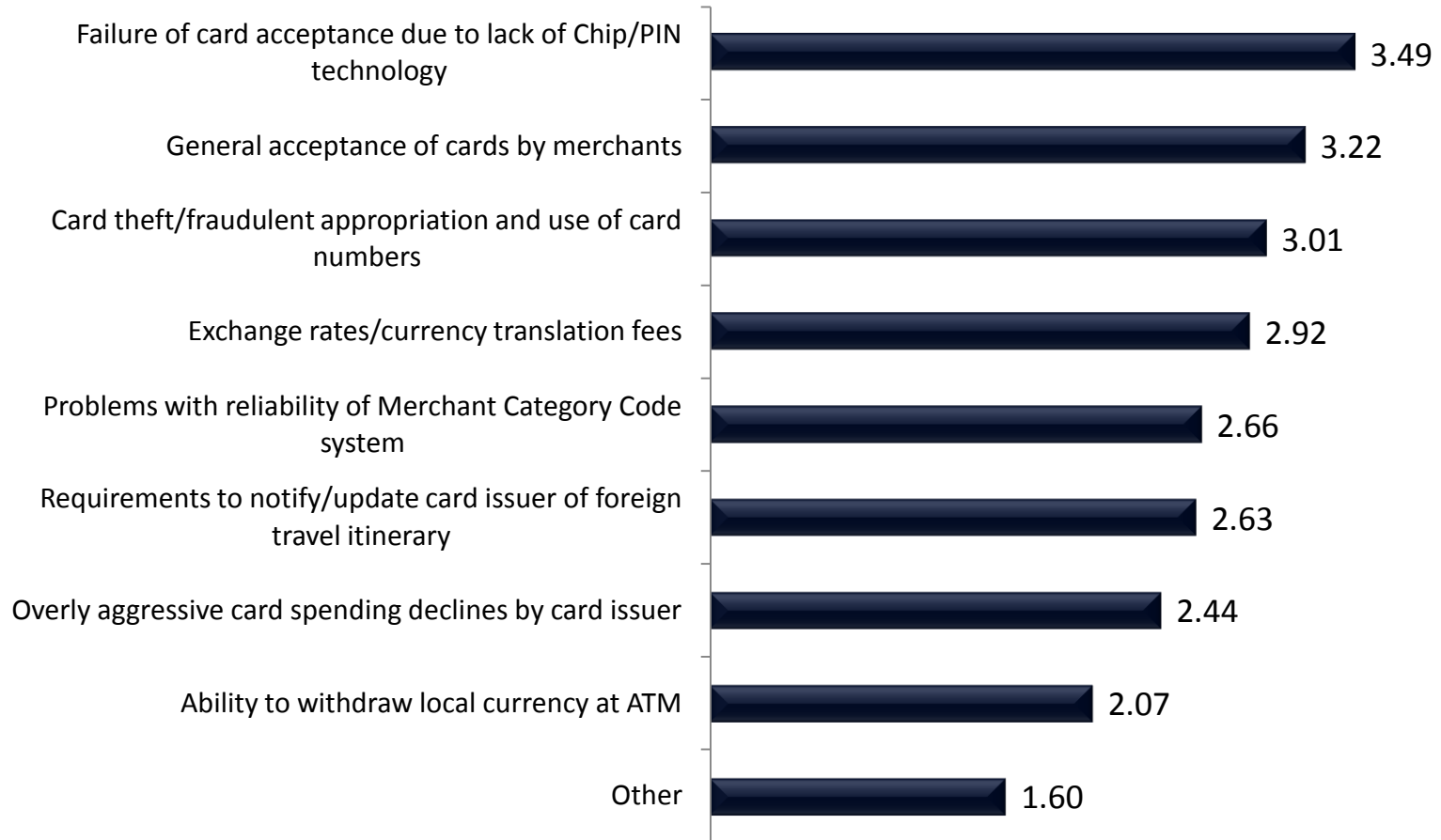


# What obstacles exist for your international travelers?

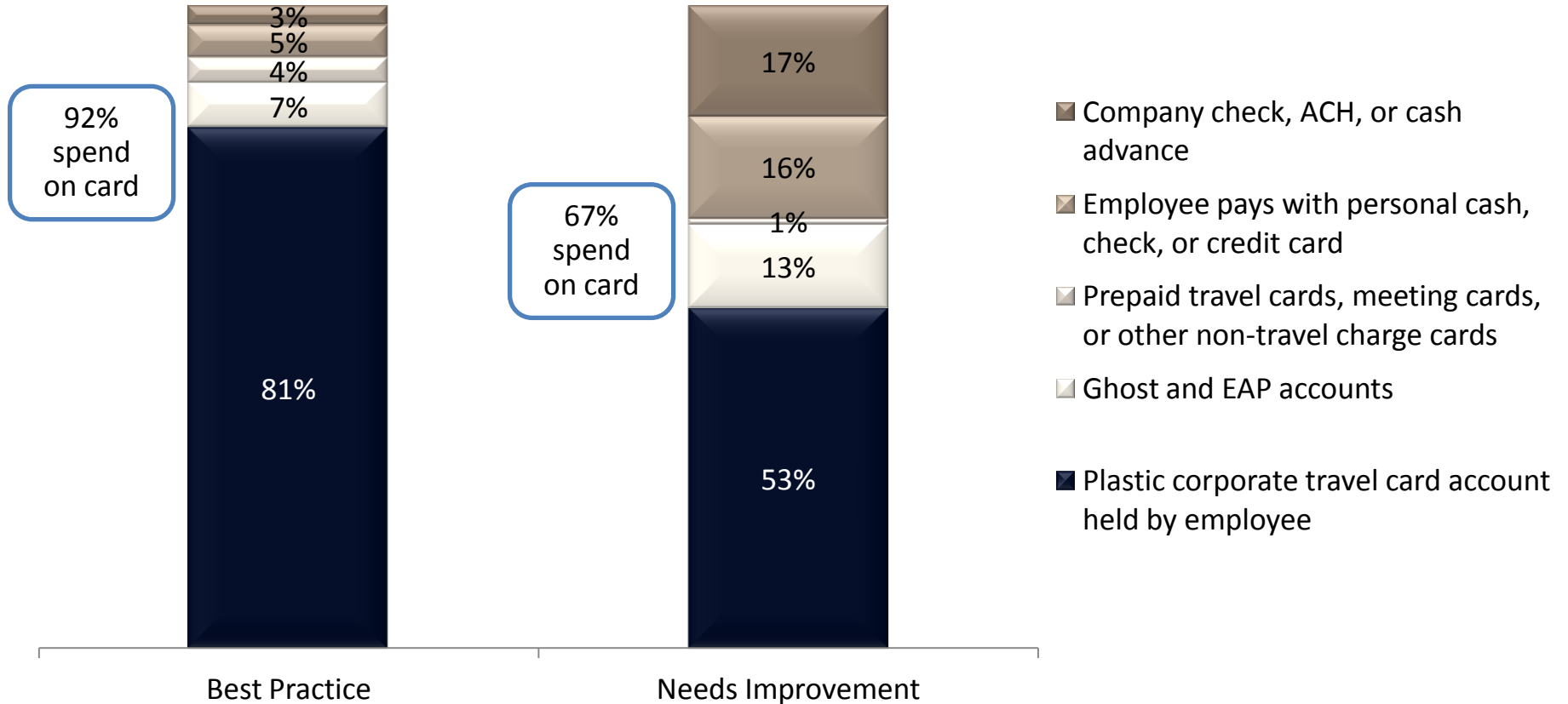
- How does your organization fund international travel?
  - Corporate Cards
  - Cash Advances
  - Checks
  
- What pain points exist for your international travelers?
  - Carrying large amounts of cash
  - Card acceptance at kiosks
  
- What pain points exist for your organization and you as a Travel Manager?
  - Cash Advances
  - Lack of visibility into spending



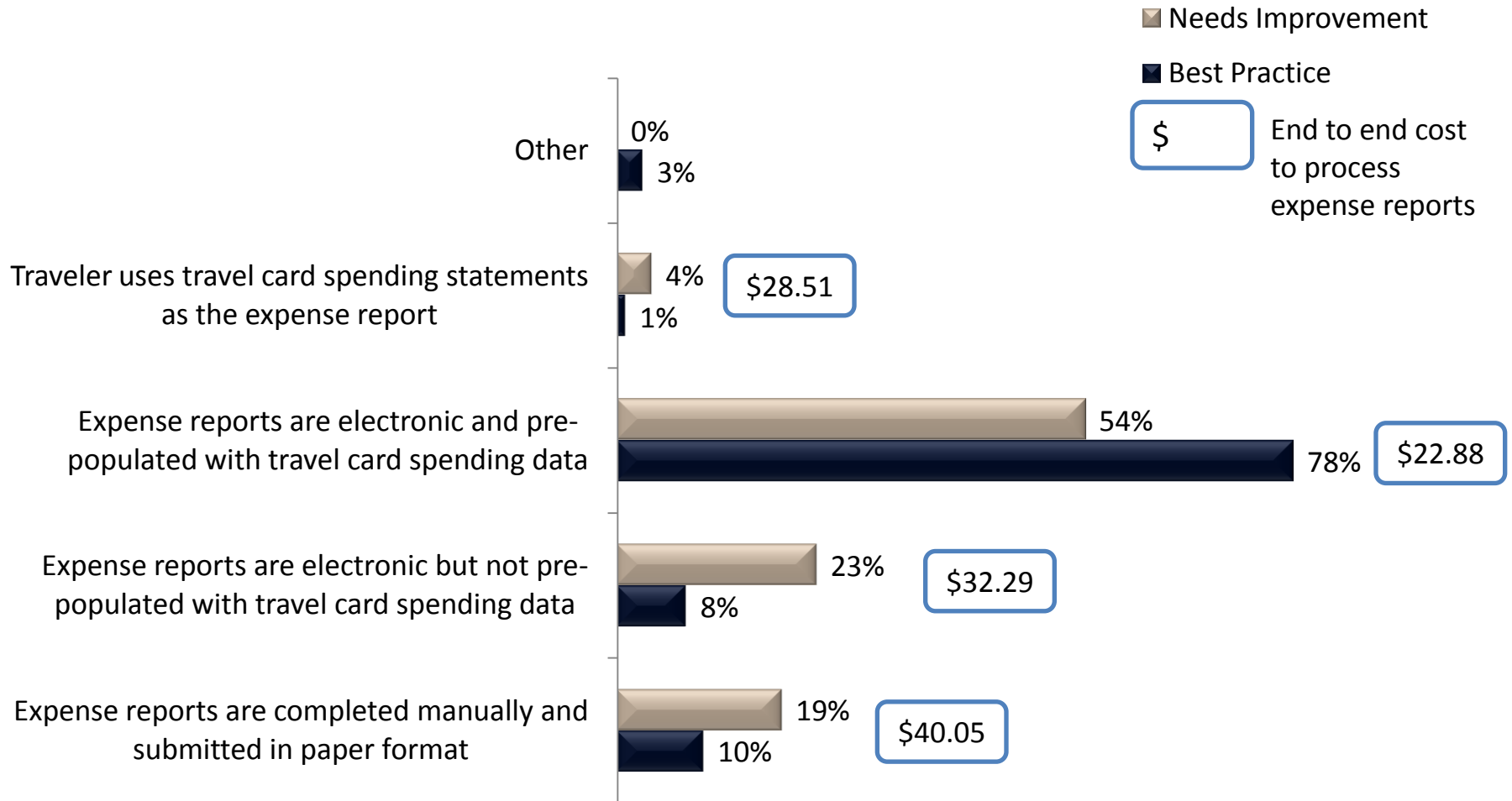
# Challenges of card use outside of N.A.



# Percent of total travel spending paid by payment method



# Types of expense report methods



# Corporate cards meet strategic objectives for international travel

Controlling costs through improved policy compliance and budget monitoring

- Control through pro-active enforcement of travel policy
- Control through reporting

Increasing process savings through automated payment and reconciliation of T&E Expenses

- Streamlined Processes – automated T&E management (expense systems) and automated financial management (data feeds to your ERP system)
- Lower payment costs – handling costs for cards are lower than for checks or ACH
- Efficient payment – one payment vs. payments to individual suppliers
- Eliminates cash advances – administrative process of issuing pre-trip foreign currency to international travelers is eliminated.



# Corporate cards meet strategic objectives – cont'd

Looking after travelers through reduced bureaucracy and improved duty of care.

## A Corporate Card:

- Allows travelers to avoid paying business expenses out of their own pocket.
- Saves them the bureaucratic burden of obtaining cash advances.
- Considerably speeds up the expense reclamation process.
- Avoids the security risk of carrying large amounts of cash.
- Provides insurance and assistance services in the event of travel emergencies.





# Declining Balance Card

The purpose of creating a declining balance card is to use only the specified funds applied to the card.

- Declining balance card is a purchasing or travel card funded with single amount used for specific purpose and time period
- Funds decline as purchases are made until funds are spent or purpose is served (or specified time period is past)
- Total funds available on declining balance card not restored with a payment or refreshed on cycle date
- Declining balance cards are funded through the purchase request
- Variety of uses available, dependent on business needs



# Declining Balance Card

## Common uses

### Projects

- Declining balance cards can be used for a project where only a specific amount of money is available. ie: A store remodel will cost \$100,000 and may take 3-6 months to complete

### Grants

- Declining balance cards can be used for a grant where only a specific amount of money is available ie: A professor has received a \$25,000 grant for a study; the money must be spent by the last day of the year

### Events

- Cards can be used as open POs, where a specific amount is approved to fund a task that requires multiple purchases ie: A client conference has a budget of \$50,000 and purchases will be made anytime during a 5-month period

### Employee Travel

- Reduce or eliminate Petty Cash or Cash Advances. Provide declining balance cards to employees with the amount of budgeted travel allowance. Specific MCCs control travel spend. At end of trip, reduce funds on declining balance card to \$0 until next trip.



# Solution: Corporate Prepaid Card



## custom

Visa® or MasterCard® prepaid card that can be branded with your logo



## purchase power

Funds can be used everywhere Visa/MasterCard debit cards are accepted—in stores, online or by phone



## direct deposit

Allows companies to directly deposit funds into recipient accounts

## easy

Easy program implementation and account enrollment

## cash

Allows cash access at most ATMs, cash back at point-of-sale locations and teller cash access at Visa or MasterCard financial institutions

## security

Protected against unauthorized transactions (subject to certain terms and conditions)



# Benefits

- Reduce risk
- Streamlined administration
- Eliminates check processing expenses
- Reduces bank fee and account reconciliation costs
- Better efficiency
- Improved transparency

**COMPANY**

**TRAVELERS**

- No checks
- Convenient
- Cash access
- Security
- 24/7 Customer Service



# Considerations for cards used internationally

- If it is a US \$ based program – every transaction (every swipe) incurs the international transaction fee (typically 2 or 3% of the transaction amount for prepaid, and 1% for corporate card)
- As a US based program, new cards cannot be mailed (except for card replacements) to international addresses. Cards must be mailed within the US, then people can travel abroad with the cards.
- Prepaid Cards are not Chip & PIN enabled – so at small “mom & pop” locations that only have equipment for Chip & PIN, these cards will not be accepted
- Prepaid Other fees – no real “in-network” ATM/Bank network, so fees for withdrawals can be higher than normal



# Declining Balance Card vs. Prepaid

Corporate Travel Card	Corporate Purchasing Card	Prepaid Card
Employee-use only	Employee-use only	Employee or Non-Employee use
Business Use only	Business Use only	Business or Personal Use
The Corporate Travel Card is used for all T&E-related business expenses of clients. Consolidated reporting of these transactions gives clients control over and visibility into their card programs.	The Corporate Purchasing Card allows clients to purchase goods or services and have payments made to their suppliers within 48 hours. This card program streamlines the purchasing and accounts payable process for small dollar, indirect supply purchases or larger dollar transactions requiring advance electronic approvals.	With prepaid cards, clients can provide their faculty and students with a prepaid card to purchase personal goods and services, make purchases online, pay bills, or withdraw cash (depending on the type of program).
<p>Most card providers provide reporting on all transactions.</p> <ul style="list-style-type: none"> <li>A declining balance card is primarily a Purchasing Card feature but by exception, can be paired with Travel Card as well.</li> <li>It is simply a card funded with a single amount that is to be used for a specific business-related purpose and time period. The total funds available on a declining balance card are not restored with a payment or on a cycle date; rather, funds decline as purchases are made until the funds are spent or the purpose is served (or the specified time period is past).</li> <li>Declining balance cards are not “pre-funded” with any money; instead, funds are set on the card up to the credit limit, then transactions decline available credit through the life of the card.</li> </ul>		<p>For personal funds cards, where the ownership of funds has transferred to the cardholder, there is no reporting or card account access allowed that provides transaction and balance details for the prepaid card.</p> <p>Some banks also offers business funds prepaid cards, which clients can provide to their employees for business expenses. With these programs, clients can receive reporting on purchase and transaction activity by cardholders.</p> <p>Most prepaid card programs may be reloaded by the client.</p>





# EMV

- Introduction to EMV Chip Technology
- The Development of Chip Technology Around the World
- EMV Adoption in the US
- Preparation and Key Points to Consider



# What is EMV Chip Technology?

- Chip Technology allows data to be stored and processed in a microchip
- A chip has 3 key functions that help to create a more secure payment solution:
  - data storage
  - cardholder identification and authentication
  - cryptographic processing
- EMV (Europay, MasterCard and Visa) is the global standard that defines how the chip card and terminal communicate

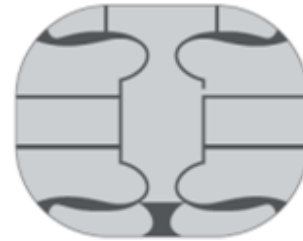




# Magnetic Stripe vs. Chip Technology



Magstripe



Chip

- **Magstripe technology:** the technology acts as a passive carrier of card data, which is read and used by terminals, according to the rules programmed into the merchant device.
  - The data is static and the card is passive in the transaction as it doesn't do anything.
  - Issue: static data is more easily captured by fraudsters and then used in fraudulent transactions without being detected.
- **Chip Technology:** a card with a chip can be configured to make authorization decisions, based on scenarios. For example low dollar, low risk transactions can be completed offline to increase acceptance. Security: chip transactions are uniquely encrypted 100% of the time



# EMV Card Options

## Chip & PIN

- Protects lost/stolen cards
- Can be used at unmanned terminals
- Most common in Europe

## Chip & Signature

- No PIN to memorize

## Chip & Choice

- Option to use PIN or Signature for transactions

## Dual Chip (contactless)

- Can be used at tap & go enabled merchants



# The Case for EMV - Reduction in Fraud

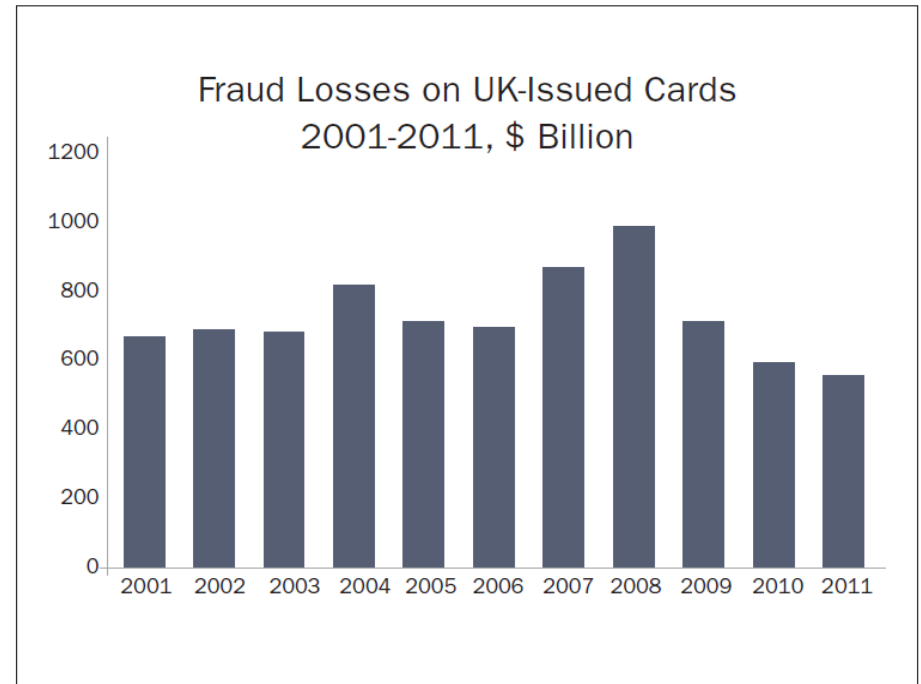
Chip technology adds additional layer of security to traditional card payments

- Transaction is encrypted each time to protect against counterfeit fraud against both online and offline transactions

Chip technology represents 3 primary enhancements over magnetic stripe cards:

- Data is dynamic and every transaction made with the card is unique. The issuer can easily identify that the genuine card is being used.
- A card can validate the PIN, something that is not possible with a magnetic stripe credit card.
- The card can be configured to make authorization decisions. For example: low-risk transaction can be completed offline\* in order to improve authorizations and enable faster transactions.

The experience of countries that have adopted chip technology on a wide scale suggests that the move can lead to a reduction in card fraud.



For example, the UK has seen an overall reduction in fraud losses over the past decade.



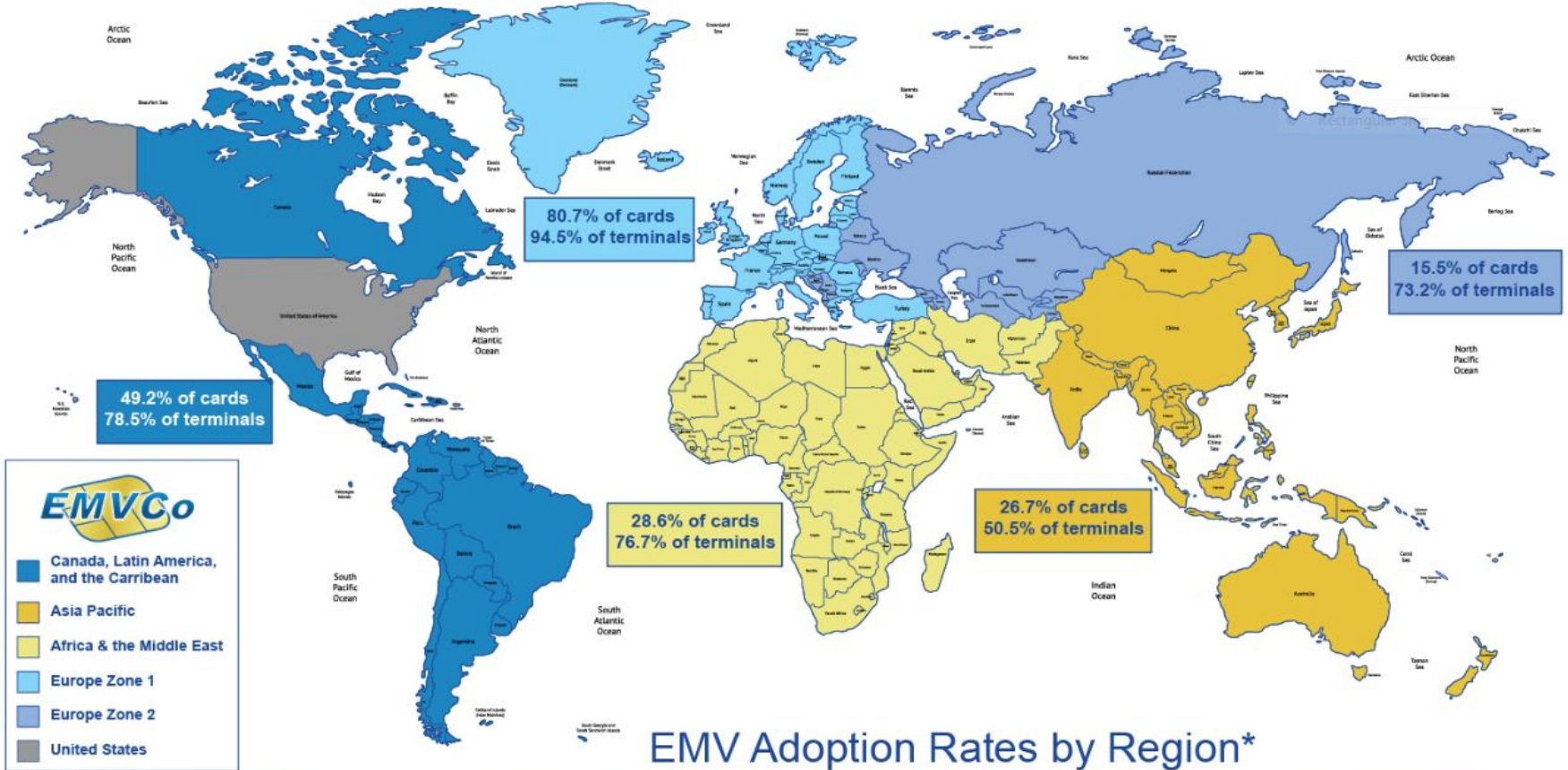
# Global Adoption

- Chip technology is already in widespread use globally.
- The latest data from EMVCo indicates that as of Q4 2011 there were a total of over 1.5 billion EMV cards in issue and almost 22 million EMV terminals globally, excluding the U.S. market.
- The vast majority of chip cards and acceptance devices are found outside the United States, as Europe, Latin America, Asia/Pacific and Canada are all at various stages of Chip technology implementation.



# EMV Worldwide Adoption

130 countries use EMV technology.



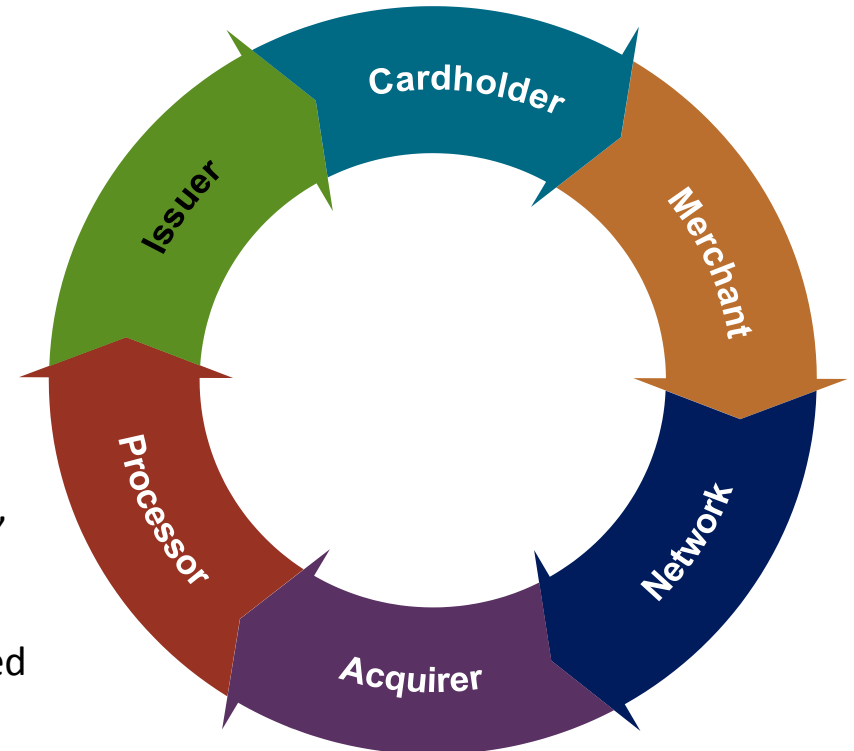
\*Figures reported as of Q4 2012 and represent the latest statistics from American Express, JCB, MasterCard, and Visa, as reported by their member financial institutions globally. Figures do not include data from the United States.



# EMV Adoption in the US

Until very recently, the U.S. had been reluctant to adopt chip technology for payments despite its spread across the rest of the world.

- Cost and complexity - thousands of stakeholders that need to upgrade:
  - Cost to replace magstripe cards with chip-enabled cards is estimated at \$3 billion\*
  - Cost to replace terminals is estimated at \$2.5 billion\*
- US Fraud Rates have been historically low - fraud has been well managed in our current environment with sophisticated systems
- Magstripe acceptance in chip markets was better, but now more erosion with cross-border acceptance - many US issuers are supplementing magstripe cards with chip technology for US based cardholders who travel abroad



While chip card usage is not currently widespread within the U.S., many card issuers have already begun to supplement magnetic stripe cards with chip technology to meet the needs of corporate clients.



# Key dates for Chip technology in the U.S.

August 2011: Visa announced plans to accelerate the migration to contact chip and contactless EMV in the U.S.

October 2012: Visa, MC, AMEX all begin to offer relief to those merchants who have at least 75% of their transactions originating from a chip-enabled terminal

Oct 1, 2017: Liability shift for AFD transactions

Feb 2012: MasterCard announced plans to accelerate the migration to contact chip and contactless EMV in the US and began offering incentives to merchants who favor EMV with PINs at the point of sale.

April 2013: Visa, MasterCard and American Express have mandated that acquirers' infrastructure is EMV-ready by this date.

October 2015: Counterfeit Fraud Liability Shift (MasterCard, Visa AMEX) Fraud Liability Shift policy will transfer liability of fraudulent transactions away from the party that has the most secure form of EMV technology. (Currently POS counterfeit fraud is largely absorbed by card issuers.)



# Key considerations for corporate card clients

- Immediate need: focus on cardholders who travel abroad
- Partner with issuer who can issue chip cards
  - Corporate Card PIN Management
  - Changing / customizing PINs
  - Card issuance - considerations if new account numbers issued
- Update travel profiles, card accounts on file (i.e. mobile phone bills)
- Understanding implications of online and offline transactions
  - Offline transaction declines are not available to the issuer
  - Offline transaction approvals can be slow to post
- Card Not Present fraud
- EMV and mobile payments

