



PREPARING FOR TOKENIZATION

The webcast will begin shortly.



CSCU's payments solutions are tailored
to what matters – *serving your members.*

Today's Agenda



- September 9th Announcement
- Tokenization
- Visa Token Service
- Terms and Next Steps



Visa Digital Solutions



Visa Digital Solutions

Apple Experience at a Glance



Apple introduces Visa cardholders and merchants to new experiences. Visa's Token Service delivers standards-based interactions to issuers & acquirers through VisaNet.

Visa "On Behalf Of" Token Creation

ID & Verification



Token Provision



Visa "On Behalf Of" Token Convert

In App Payment



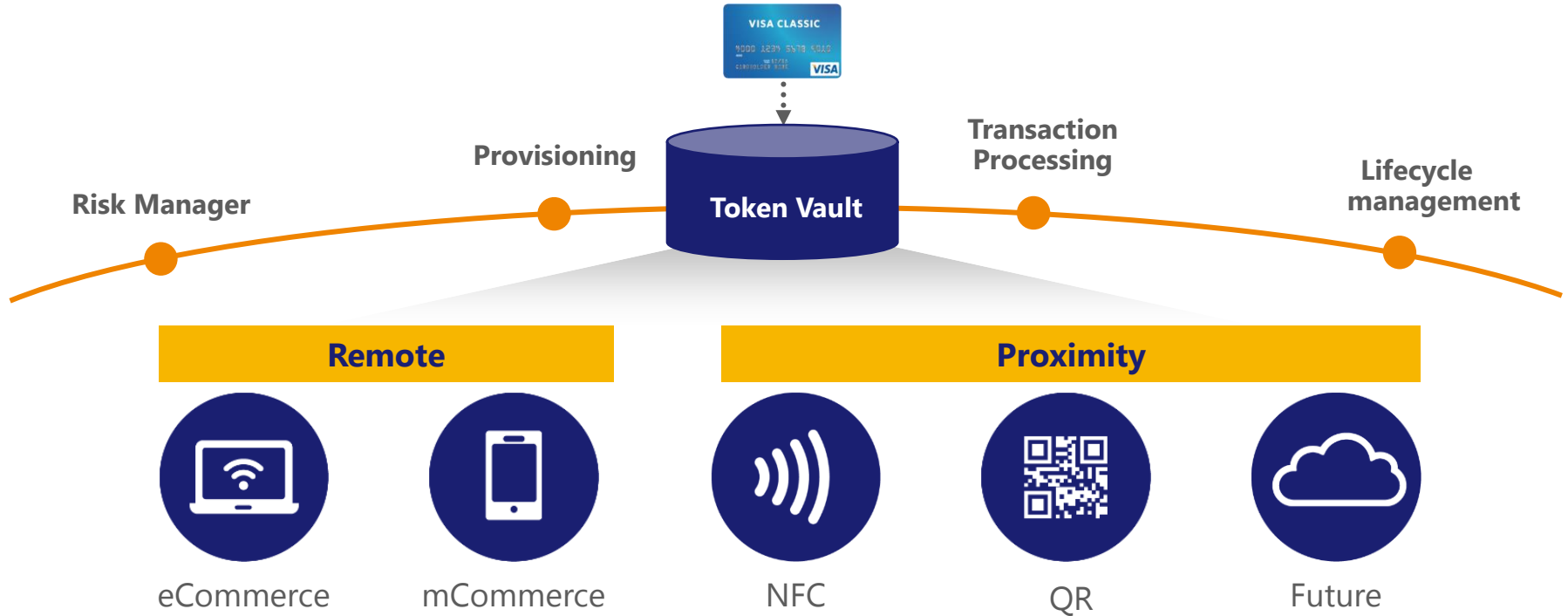
In Store Payment



Visa Digital Solutions



VisaNet: Extending Your Reach with Standards & Services



Tokenization:

- Definition
- Core concepts
- Payment Token Interactions / Use Cases
- Visa Token Service

Tokenization



What is tokenization?¹

Tokenization is the process of replacing the original payment credentials (PAN) with a unique “alternate identifier” which may be used in its stead to initiate payment activity.

Replaces a traditional card account number with a unique payment token / digital account number

Restricts the use of a payment token by device, merchant, transaction type or channel

Payment tokens further enhance security of digital payments and simplify purchase experience when shopping on mobile, computers or other smart devices and help reduce fraudulent activity...



Note: ¹For clarity, the definition focuses on “payment token” (used for payment obligations between parties) as opposed to “non-payment tokens” (used for localized functions such as card security)

Core concepts



A Payment Token is a “alternate identifier” that can be used in place of an Personal Account Number (PAN) to initiate a payment transaction

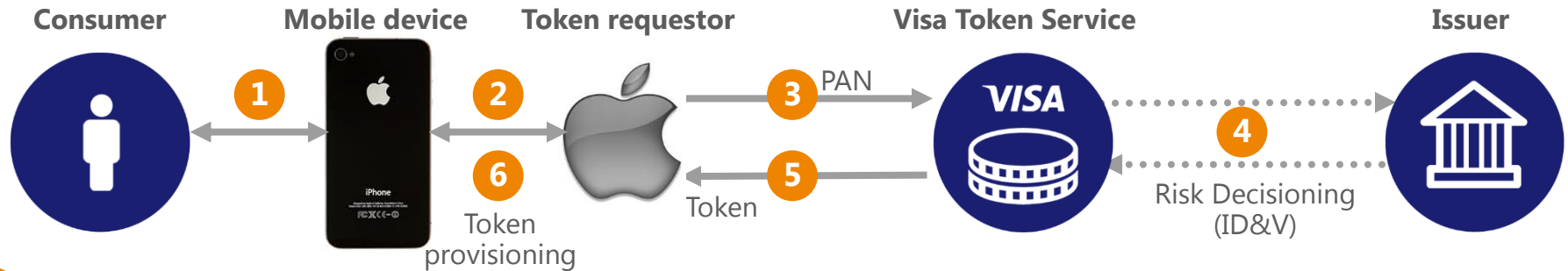
- Global and interoperable
- Compatible with existing network routing
- Compatible with existing payment technologies (web, NFC, POS standards)
- Supports future payment technologies
- Improved security
- Regulatory compliant
- Multiple Payment Tokens can be attached to a single PAN



Token interactions



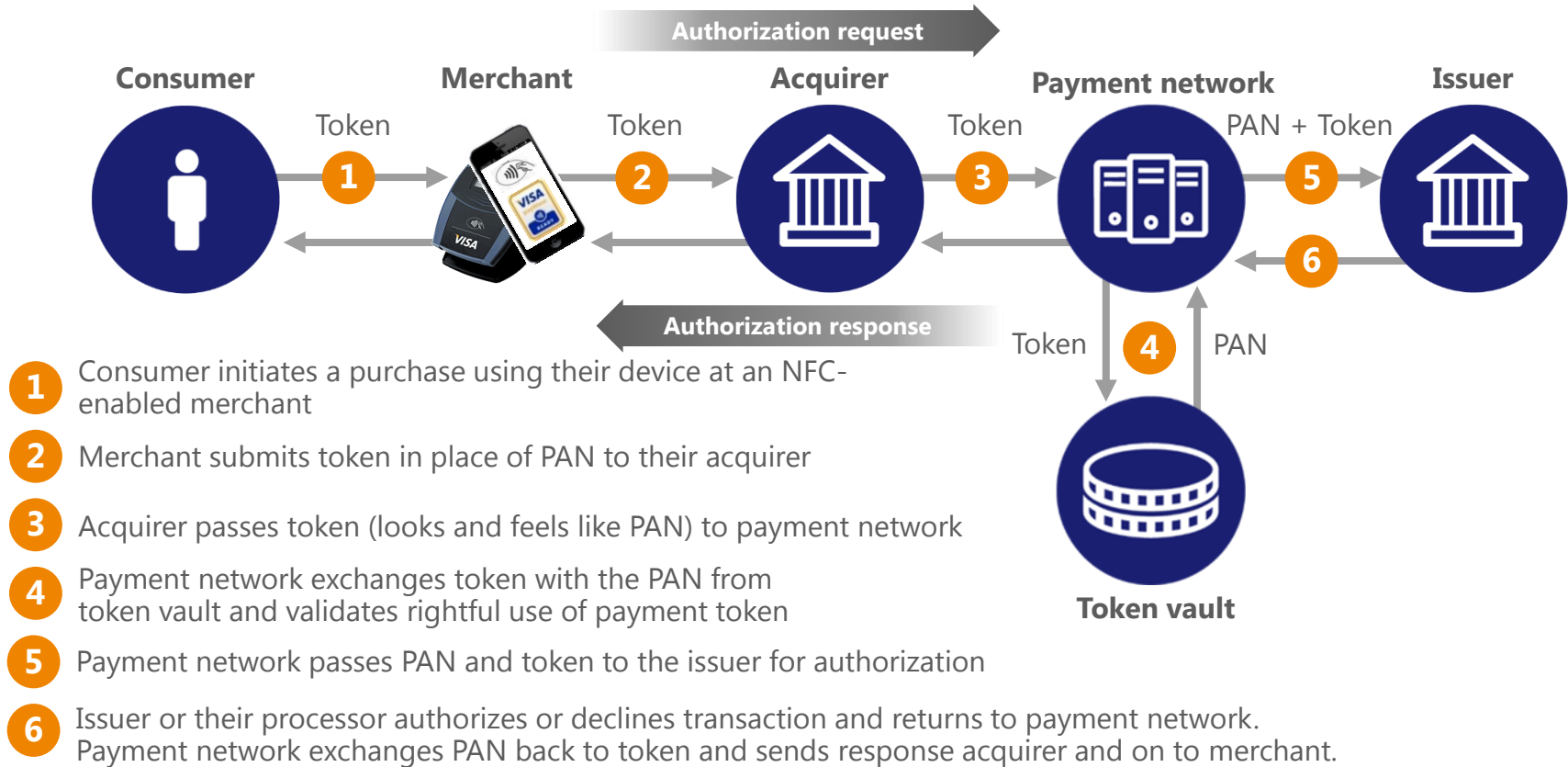
I. Token provisioning and activation



- 1 Consumer activates the new service to enable their new Apple device for payments
- 2 Apple service will collect/confirm payment credential from consumer
- 3 Apple will initiate token request with PAN to Visa Token Service during activation
- 4 Visa Token Service performs eligibility check, issuer participation, risks scores request, use risk decisioning rules setup by the issuer to provision the token on behalf of the issuer
- 5 Based on approval or decline decision, Visa will generate a new payment token from the assigned token bin range and respond to Apple with payment token
- 6 Apple will securely provision the Payment Token (Digital Account Number) inside the secure element of the new device and activate for payment

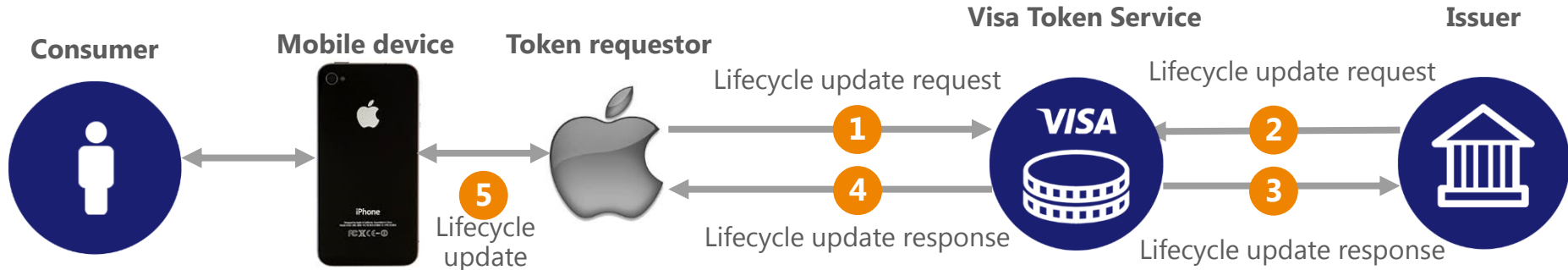
Token interactions

II. Payment Transaction using Payment Tokens at Point of Sale (NFC)



Token interactions

III. Token lifecycle management



Token lifecycle requests updates the PAN/token mapping and can be initiated by token requestors and the Issuer based on consumer interaction and support scenario

- 1 Apple requests suspend, resume and deactivation of the payment token when consumer reports lost/stolen/damaged devices
- 2 Visa updates the token vault with the status of the PAN-token mapping, notifies issuer
- 3 Issuer or their processor can initiate lifecycle requests for both token life-cycle (suspend/resume, deactivate) and PAN updates (replacement, expiry date changes)
- 4 Visa updates the token vault and initiates any updates to Apple
- 5 Apple updates the device for each lifecycle update

Visa Token Service offering



Enable issuers and their processors to participate through a simplified enrollment process



Visa Token Service

1. Service enrollment



Issuer enrollment process to use service and capture configuration

2. Service configuration



Product eligibility, card metadata, processing option, risk decisioning and administration

3. Token request and issuance



Generate and issue tokens from token BIN ranges. Risk decisioning, and provision tokens to consumer devices.

4. Transaction processing



De-tokenization, domain restriction validation during authorization, clearing and settlement and exception processing

5. Lifecycle management



Manage status of Token to PAN mapping in the vault. Suspend, resume and deactivate tokens. Notify issuers and partners

Terms and Next Steps

Apple: What to Expect

For clarity, Visa is not party to commercial agreements between Apple and Financial Institutions. Visa will assist interested parties in enrolling and activating services. An “at a glance” brief on areas of interest below:

Contracts: It is expected that Apple will provide a standard executable contract to all issuers.

- **Agreement Term:** 3 years with 1 year renewals
- **Comprehensive Participation:** must include all eligible cards (e.g. 95%)
- **Economics:** per transaction fee charged by Apple
- **Cardholder Fees:** no added fees to cardholders will be applied by issuer

Enrollment: Visa will offer standard tools / support for issuers interested in participating.

- **Contract Presentment:** Apple contract will be made available on Visa Online portal (VOL)
- **Token Service:** Visa’s on behalf of token service is compatible with the Apple offering
- **Service Billing:** Visa will bill & settle with issuers contracted with Apple

- Interchange on mobile initiated transactions will be applied in the following ways:
 - NFC transactions: card present interchange
 - eCommerce and all other transactions: CPS/ eCommerce Basic interchange and corresponding chargeback protection

Visa Token Service

Pricing Summary



Event	Price
Token provisioning	\$0.07 per token created
Residency	\$0.0025 per active token per month (capped at \$0.15 per PAN per month)
Token Lifecycle Management	\$0.02 per action (e.g. suspend, resume)

Waived through December 31, 2015

Detailed price list to be published

Visa's "On Behalf Of" (OBO) Offering



- Visa has developed an "On Behalf Of" offering and tools to easily enable any issuer to participate in the Visa Token Service
- Visa will be working with CSCU and FIS to ready their platforms for the service and to deploy the enrollment tools
- The OBO service provides issuers and their processors easier management of:
 - Service configuration through an online enrollment portal
 - Token generation using pre-defined rules
 - Life cycle management events (e.g., suspend, delete) via an online portal

Next Steps



- ❑ Go to Visa Online (VOL) for more information on the Visa Token Service (incl. product and call center FAQs, service descriptions, draft participation agreement, and training modules)
- ❑ Plan your member engagement and support strategy
- ❑ Use the resources provided by Visa to prepare for discussions on tokenization with CSCU and FIS
- ❑ Look for more information as it becomes available from CSCU as well as potential upcoming webcasts
- ❑ e-mail Products@CSCU.net with questions

Thank You