

## LEARNING ABOUT NFC AND EMV

by [Steve Brown](#)

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You may not have known it, but studies show the average retention rate for a class led by an instructor is about 55% to 60% (measured by student retention of course content and effectiveness). By comparison, electronic learning (where the user has flexibility to go at their own speed) can achieve the same results in 50% less time, or improve those results (if time doesn't matter) by around 25%. The next time you are trying to explain a product or service to a customer, you might want to consider leveraging your online tutorials (or building a library of them), give them a comfortable chair, offer them some coffee and wait for them to finish before seeing how you can help further. It isn't going to work for everyone, but it is something to consider for those who might feel embarrassed, pressured or just want to know more before talking about a new product or service. Speaking of new products and services, we have been keeping a close eye as of late on the growth in near field communications (NFC) and Europay, MasterCard and Visa (EMV) technology and its deployment by banks. Wells Fargo entered the NFC game in December of 2010 and is running a test program with customers through June 2011. Participating customers get a card that can be inserted into their BlackBerry devices or a special case for iPhone users. In addition to the card or special case that provides the NFC functionality itself, customers are emailed a special mobile application to install on their phones. After installation, customers sign into a screen that configures the system. Once that is done, customers can then begin using their phone just as they would a debit or credit card to make "tap and go" payments anywhere supported contactless payments are accepted. These include fast food restaurants, sporting events, taxis and even vending machines. If things go as planned, Wells Fargo will be able to provide customers with targeted offers that could be location based, as well as bank statements and other information. For their part, JPMorgan has been mostly focused on putting EMV chips in their credit cards for a select group of customers that travel abroad (also done by Wells Fargo, who announced it will provide such cards to 15,000 customers who travel abroad). EMV is the same technology used in Europe and the rest of the world and it is more secure than magnetic-stripe cards. It uses a chip and pin approach that allows customers flexibility and safety. While safety is great, the main driver here for JPMorgan and Wells Fargo probably stems more from frustrated customers traveling abroad who cannot use their existing credit cards. In fact, research firm Aite Group found almost 10mm US consumers could not process their credit cards abroad in a recent study. JPMorgan plans to begin issuing an EMV card to its private and commercial banking clients, starting in June 2011.

While these technologies are still early-stage in the US, that is not the case abroad, so we are playing catch-up here. Further, research by Juniper finds that globally, 1 in 5 smartphones will have NFC technology in 3Ys and the US will soar to 1 in every 2. As that transformation flows through the system, expect small business customers (heavy credit card users) to start asking. As we sign off for the day, we leave you with a thought - since you read this at your own pace this morning, your retention should be quite high indeed.

## BANK NEWS

### Cards

Contrary to many credit models, 5 of the 6 largest credit card companies reported that late payments and defaults are now at multi-year lows. Only Bank of America saw defaults increase (but still

remained benign). Capital One reported the biggest drop in defaults, down to 4.97%, a level last seen in late 2007. Amex kept its position as the issuer with the lowest default rate, at 3.5%.

### **Death Derivatives**

Goldman Sachs, Deutsche Bank and JPMorgan Chase are introducing a synthetic bond whose return is tied to the human lifespan. The group has agreed on standards and will package this so called "longevity risk" to sell to pension and specialized hedge funds in order to offset the risk that an insured portion of the population will live longer than expected.

### **Consumer Help**

The FDIC issued an information publication that urges consumers to read the fine print when evaluating bank products and to "price shop" services like overdraft protection in order to find the lowest cost alternative. In addition, the pamphlet offers advice on monitoring accounts for costly mistakes and exercising caution over fees when using a prepaid card for basic banking needs.

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