

KYC (Know Your Customer)

Miloslav Kozler

Prague, 23 May 2012

VSFS



Agenda



- Visa on the Czech market
- Market position & Results
- Fraud, Risk & Chargeback
- AML policy
- Innovations, Contactless, Mobile
- AOB / Discussion

Over 20 years of history in the Czech Republic



Visa has driven the evolution of the cashless payment market in

Czech Republic

**First Visa card issued
(1990)**

**First Visa EMV chip card
issued (2003)**

**Opening Visa dedicated
local office
(2010)**

**First Visa contactless
card
(2011)**

2011 CZ Headlines

Double digit growth in POS

+22.1%

transactions

+15.3%

spend



5.602 million

number of cards

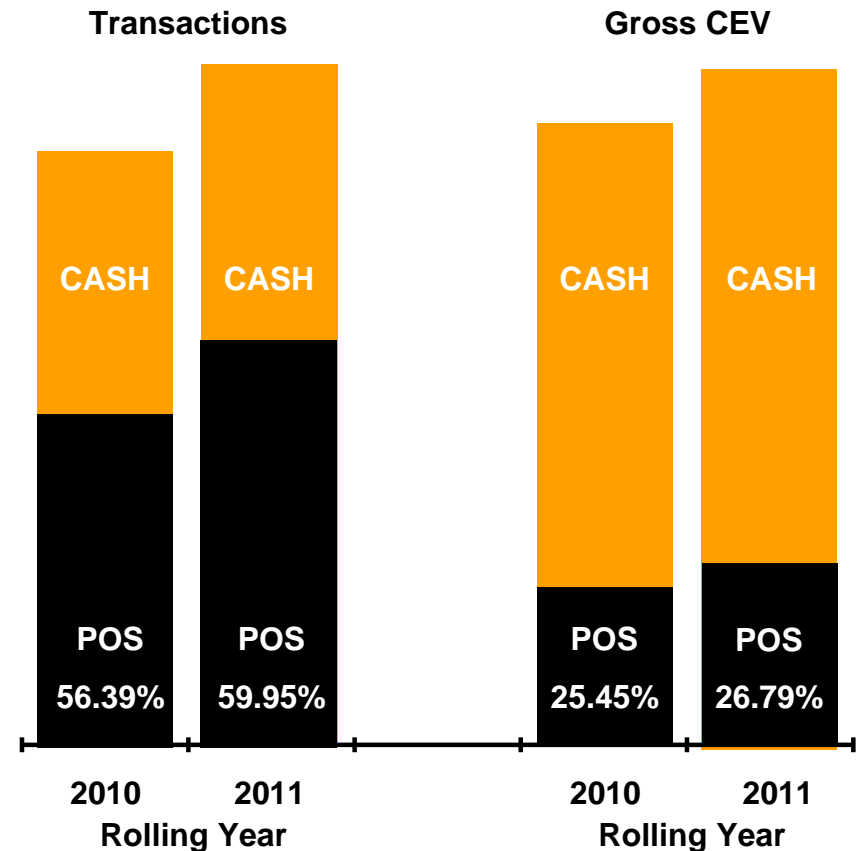
€36.7

ATV at POS

Cards Issuance Rolling Year to Q4 2011



Cards	Rolling Year to Q4 2011	Rolling year YOY growth
Cards (000)	5 602	1.57%
Gross CEV (€000)	22 969 308	9.50%
POS CEV (€000)	6 153 961	15.28%
CASH CEV (€000)	16 815 347	7.52%
Transactions (000)	278 180	14.85%
POS Transactions (000)	166 779	22.10%
CASH Transactions (000)	111 401	5.47%
POS ATV (€)	36.9	-5.59%
CASH ATV (€)	150.9	1.95%

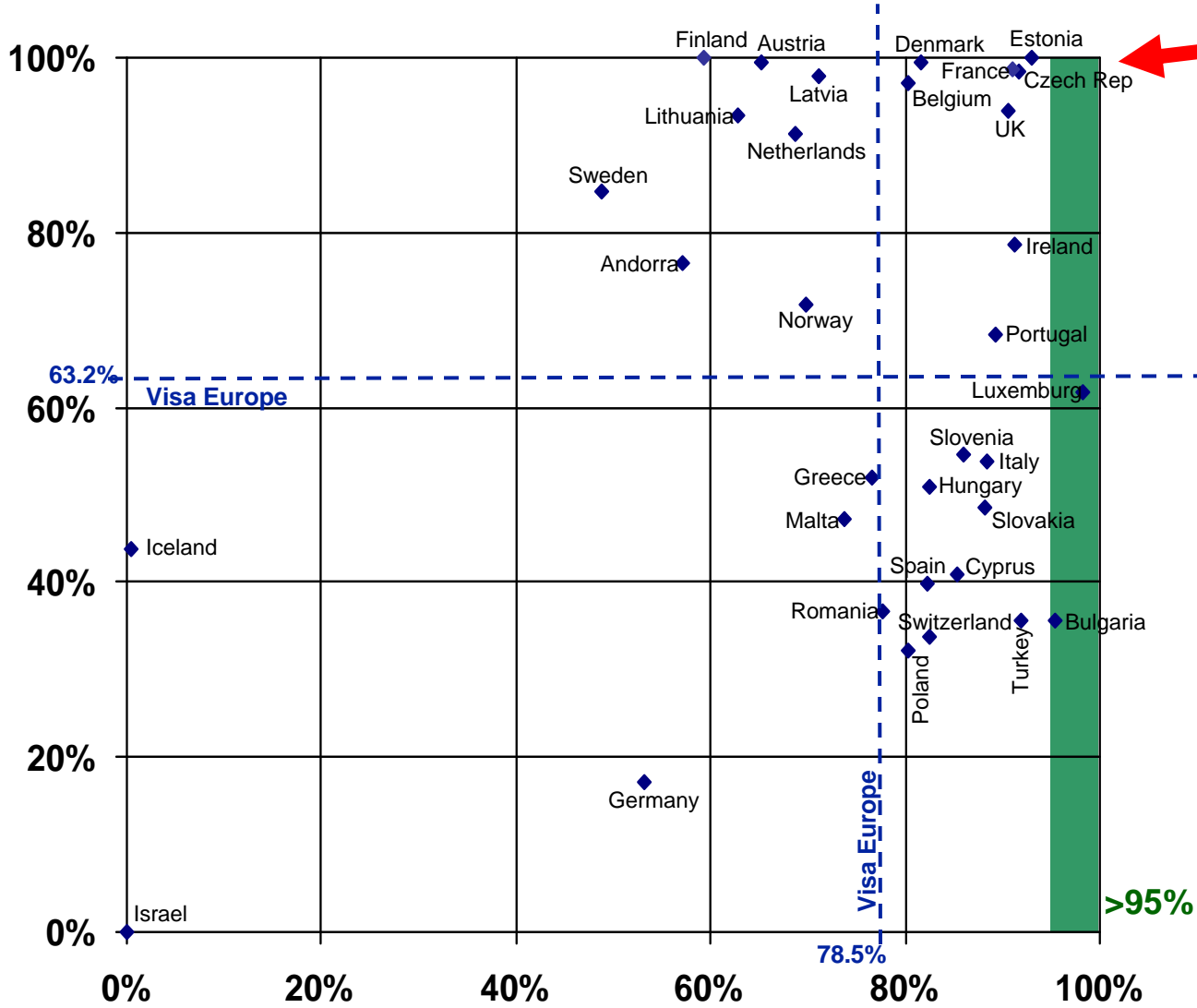


Share of POS transactions: 59.95%

Status EMV Card & POS migration

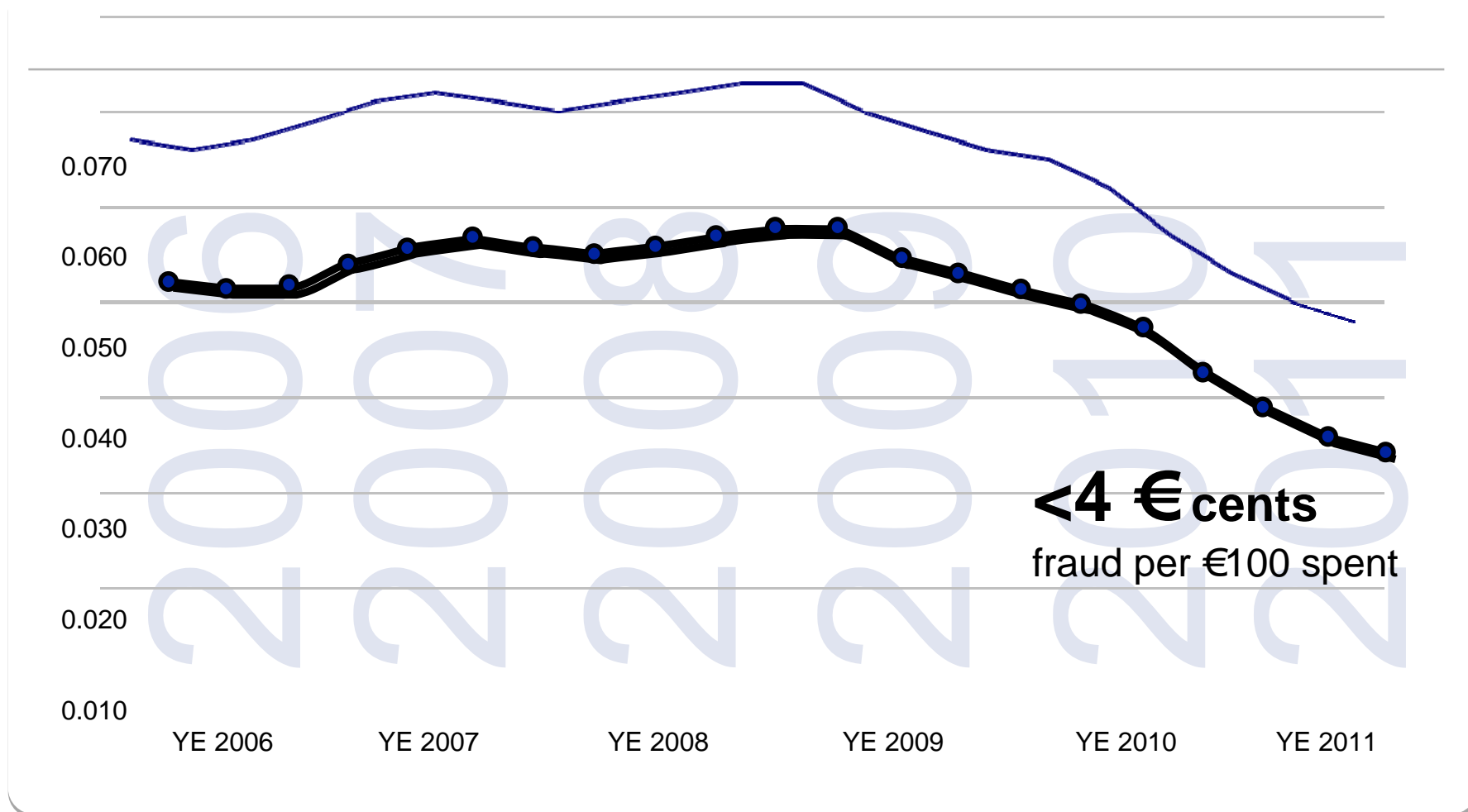


% of EMV Visa cards (Q2 2010)



% of intra-regional Visa transaction volume from EMV POS (July 2010)

Managing risk: Visa Europe fraud to sales ratio % (2005–2011)

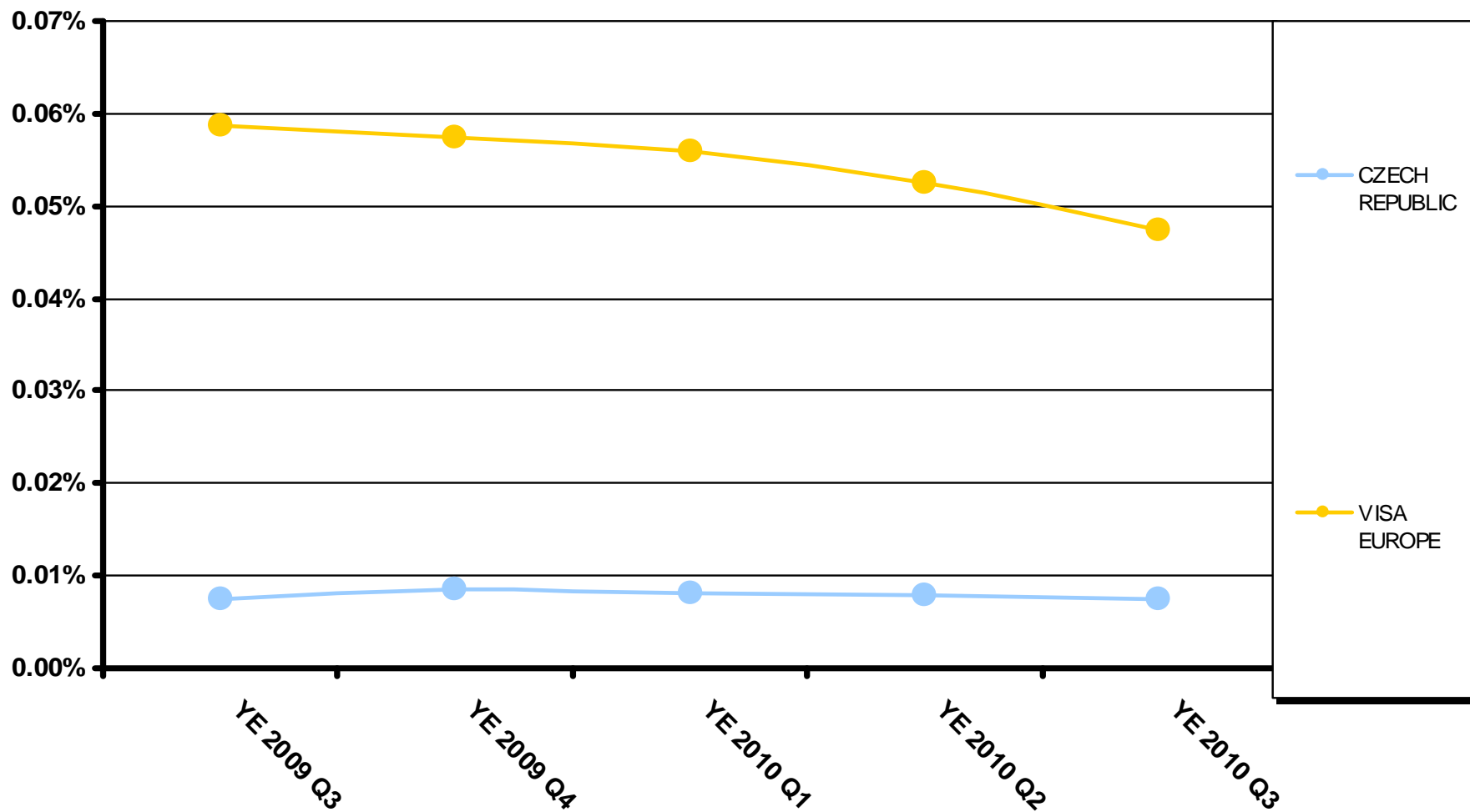


AML

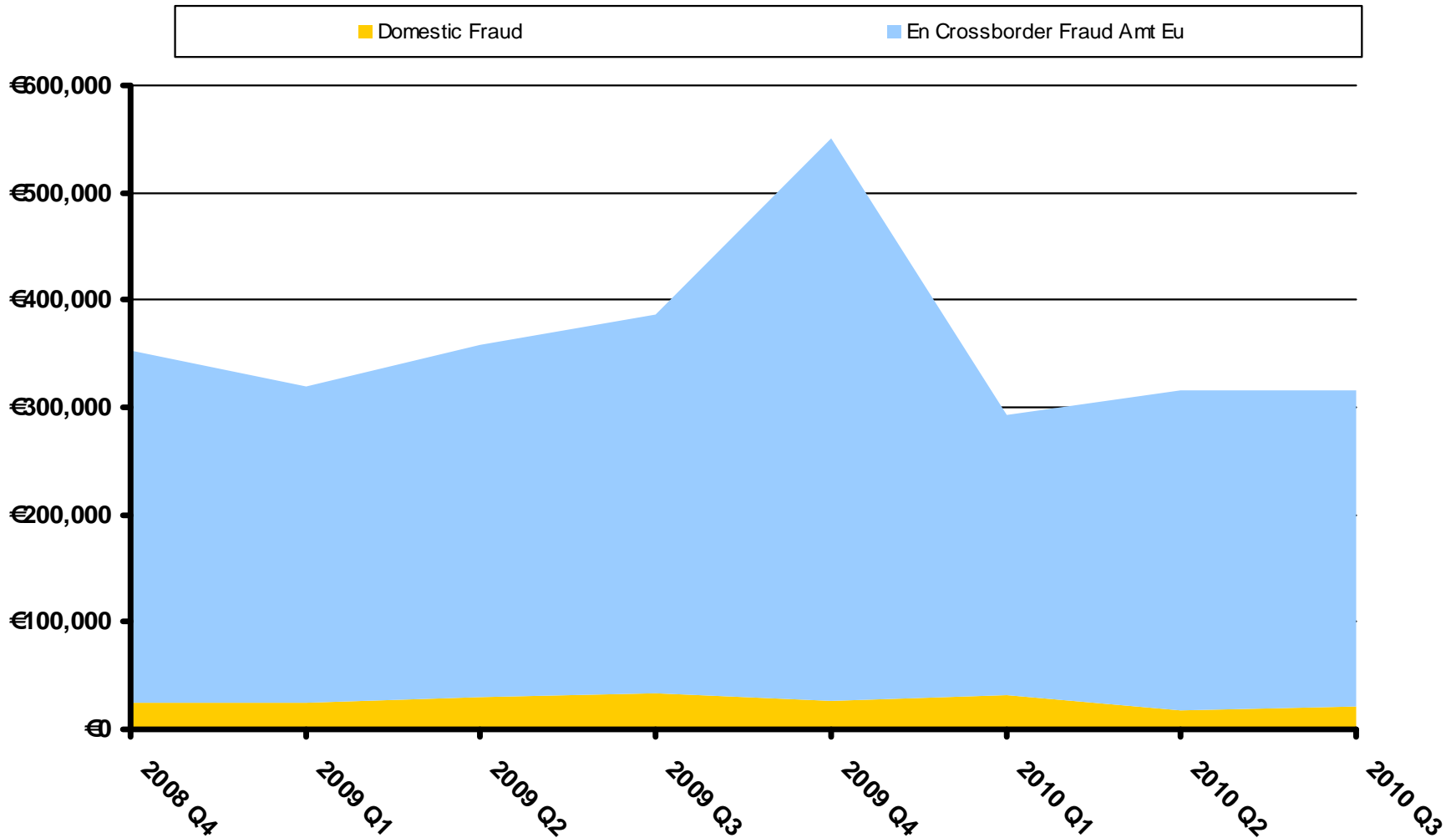


- Mandatory annual employee AML training course, introduction Op Reg on ML requiring Members to be compliant
- Bank AML Self Certification (with supporting guidelines, policies etc that they use)
- Third Anti Money Laundering Directive (2005/60/EC) (the “Third AML Directive”) Visa view delivered to SBK
- Section 352 of USA PATRIOT ACT requires every financial institution to adopt and implement an AML programme, Visa and MasterCard are subject to this law
- Example of local law is KYC which generally means:
 - Verifying customer at outset
 - Understanding customer’s identity
 - Understanding customer’s pattern of transactions

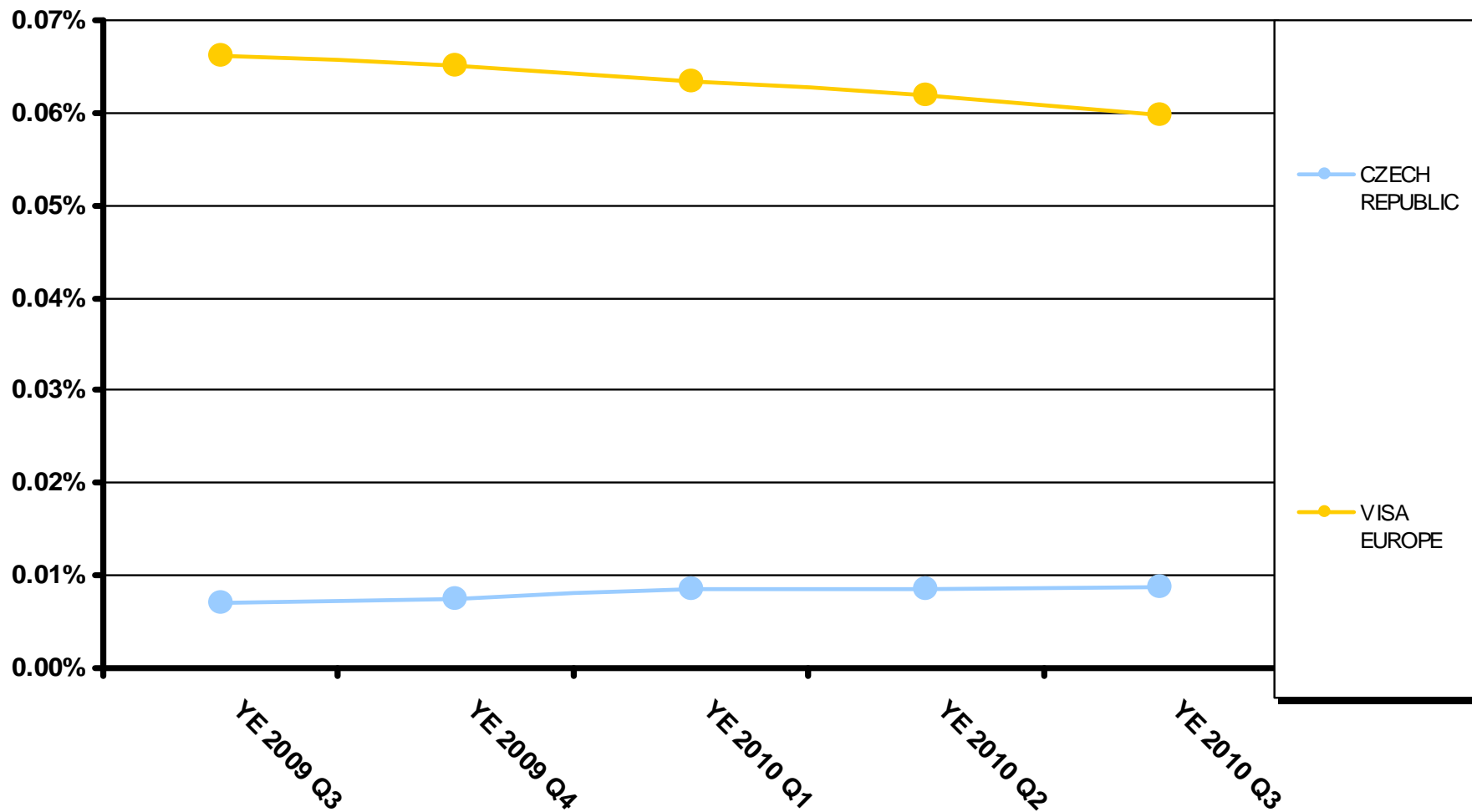
Czech Republic - Issuing: Fraud to Sales Rate



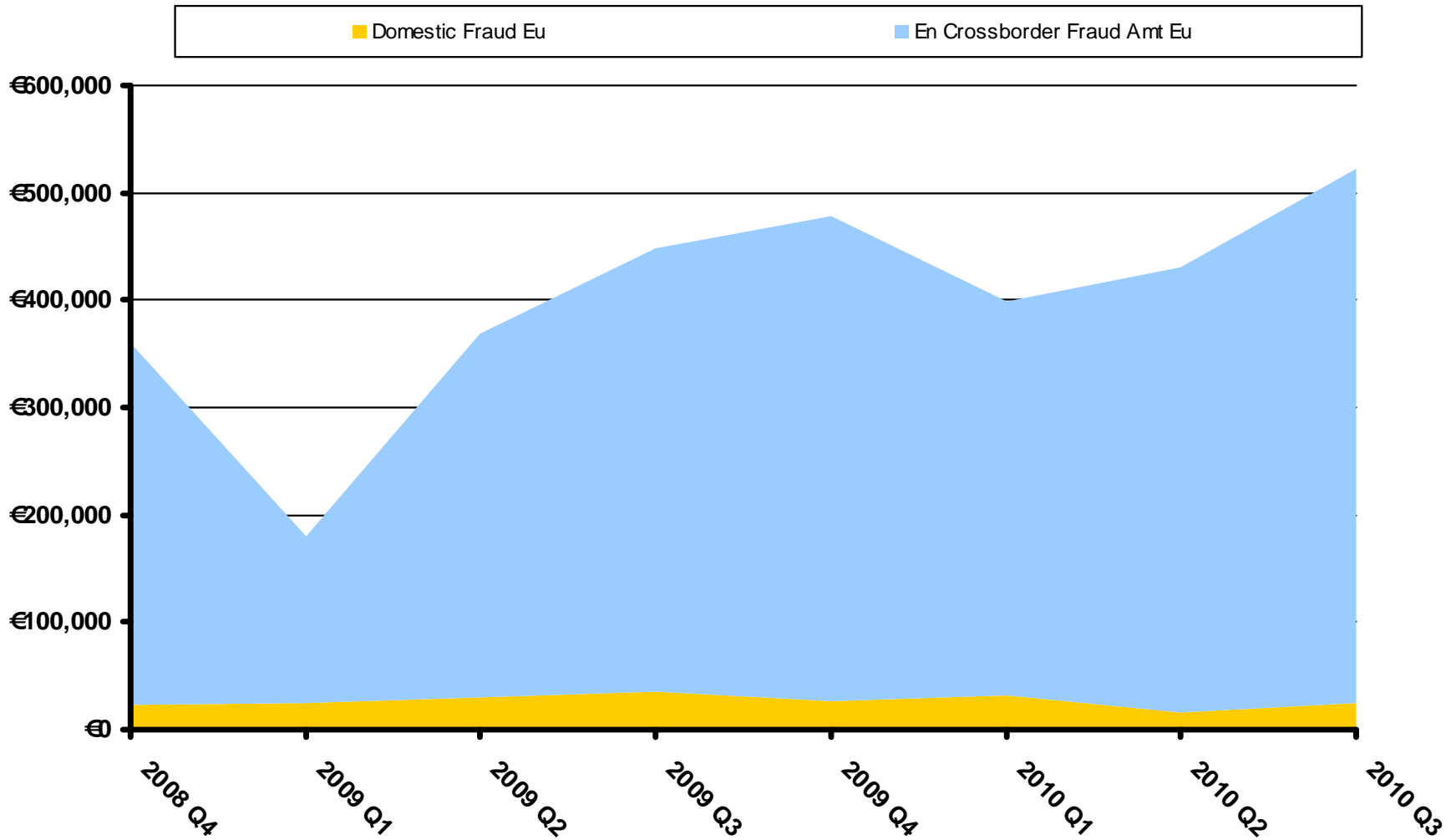
Czech Republic - Issuing: Split of Domestic and Cross-Border Fraud



Czech Republic - Acquiring: Fraud to Sales Rate



Czech Republic - Acquiring: Split of Domestic and Cross-Border Fraud



Where are we now?

34+
million
cards



51
acquirers

60
issuers

15
markets

200K+
terminals



€100m POS in last 12 months

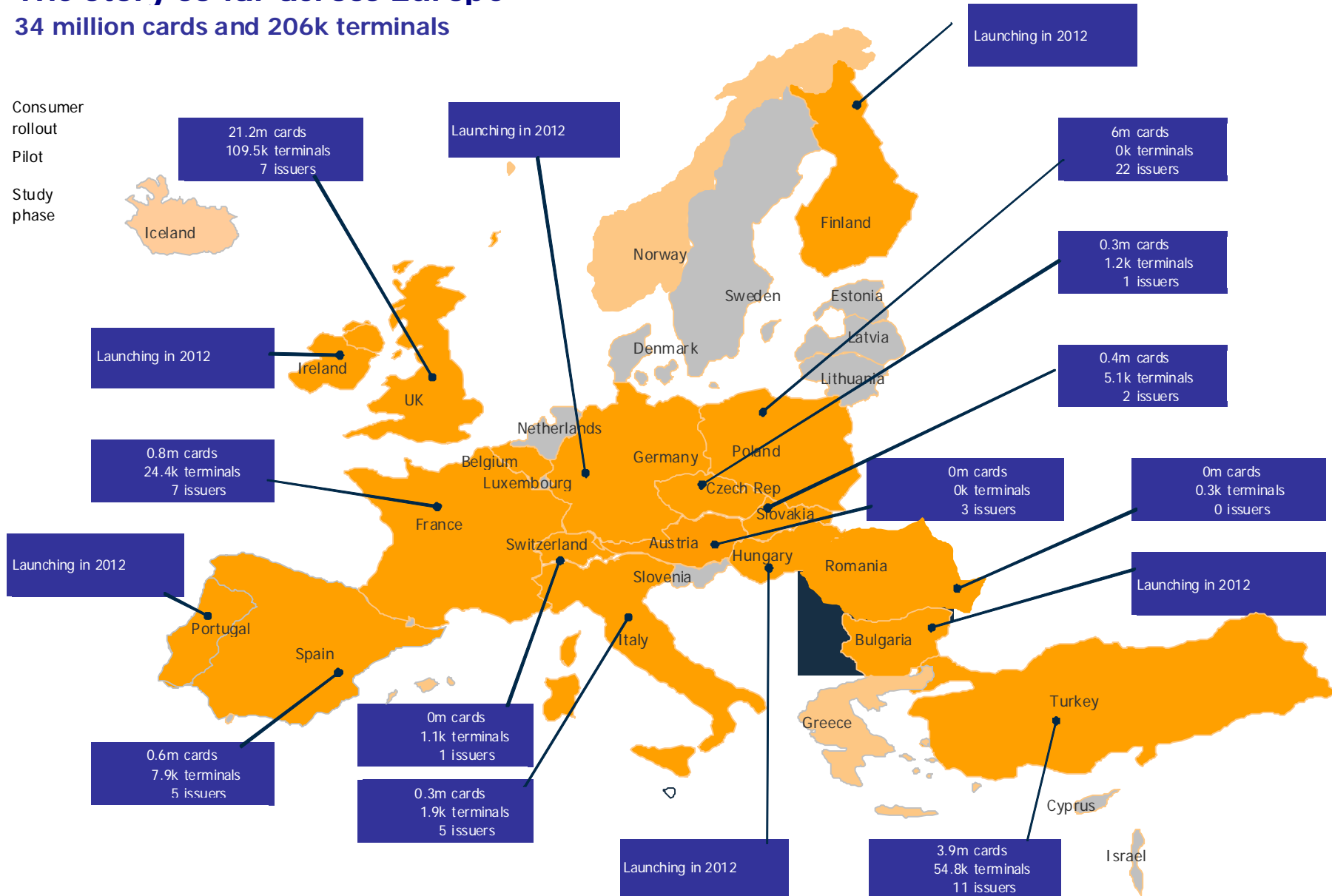


In the next 12 months forecast **€400m** POS

The story so far across Europe

34 million cards and 206k terminals

- Consumer rollout
- Pilot
- Study phase



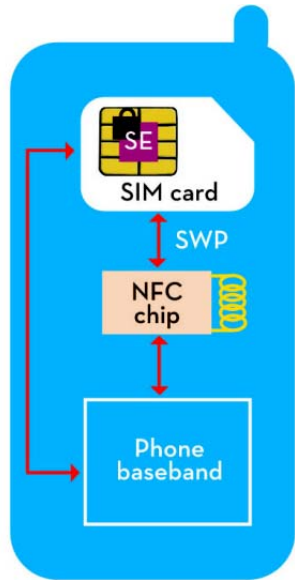
New for 2012 – Terminals are “mobile ready”?



Different implementations and business models will require Visa to work with multiple external parties

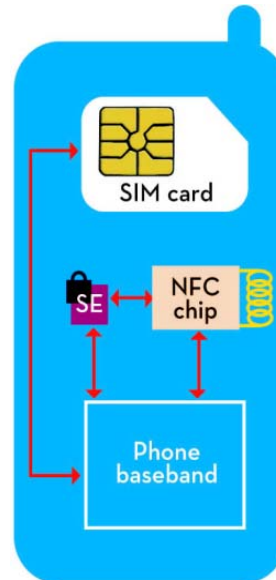


For secure mobile payments, a chip or “Secure Element” in the device is needed – an antenna is also needed for contactless payments



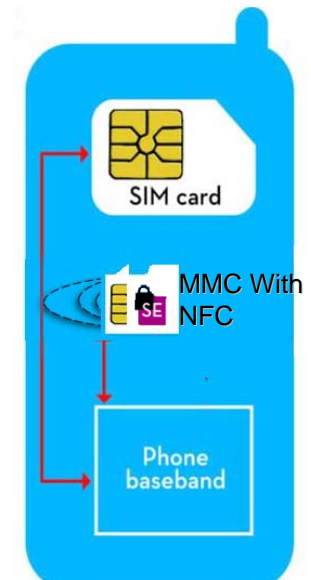
SIM Centric

Secure Element is the SIM



Mobile Centric

Secure Element embedded on the handset

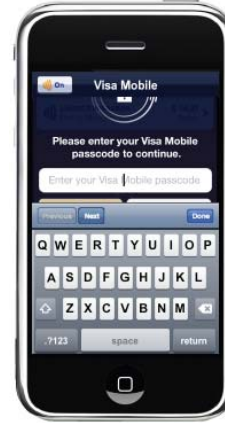


Accessory

Can contain both SE and antenna



Mobile Contactless High Value Payment with passcode entry



1 Transaction is initiated and consumer is prompted to hold his/her phone to the contactless symbol on the reader

2 Consumer holds his/her phone to the contactless symbol on the reader

3 Reader directs consumer to his/her phone

4 Consumer is prompted for his/her passcode to authenticate, enters it and is asked to hold his/her phone back to the contactless symbol on the reader



5 Consumer holds again his/her phone to the contactless symbol on the reader



6 Payment is confirmed and consumer can choose to add information on the transaction

... New and unknown ... including service enhance

n based functionality

Passcode the winning CVM for mobile



Online PIN

applicable only for contactless HVP



On-line POS (Spain, Turkey)



Automatic mode is supported or in manual mode customers need to insert passcode first and online PIN later

Off-line POS terminals (UK, France, Sweden)

Customers with on-line PIN implementation will be forced to authorise payment by Passcode

Inconsistent and confusing customer experience

Passcode

examples of Passcode use cases

Passcode supported on all HVP POS terminals in Europe

Automatic/Manual modes are supported



Alerts

Dynamic CVV2

Security settings

m-commerce

Loyalty

Balance enquiry

Card details

DPA

Top-up

P2P

General

Olympic/Destination/Athlete Branded Card Designs



Custom **and** pre-designed

NB. Use of assets subject to strict Visa / Governing body usage guidelines found at www.visaeuropepartnerships.com

[INTRODUCTION](#)

[MARKS & DESIGNATIONS](#)

[MERCHANDISE](#)

[MASCOTS](#)

[CARD DESIGNS](#)

[GUEST PROGRAMMES](#)

[LONDON 2012](#)

[CUSTOMER JOURNEY](#)

[APPROVALS](#)

A man in a dark suit, white shirt, and striped tie is shown in profile, looking upwards and to the right. He is positioned in the lower-left foreground. Behind him is a large, white billboard mounted on a building. The billboard features the Visa logo in the upper right and the slogan "Look to the future." in the lower right. The building's facade is visible, with several spotlights mounted on the roof. In the background, a tall skyscraper is visible against a clear blue sky.

VISA

Look to the future.