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Channel 21 | Expert-to-Expert Interviews

What the CARD Act Means for the Future of Payments:

An Interview with Victoria Strayer



Victoria Strayer has served the financial services industry for 25 years as an Issuer, Acquirer, and processor. She has spent the last 12 years at TSYS leading various aspects of the business from operations to account management. Currently, Victoria serves as Senior Director of Enterprise Business Compliance; embracing the One TSYS philosophy by bringing together Business Compliance support for Issuing, Acquiring, Managed Services, PrePaid, and Global Services. EBC's responsibilities encompass business compliance with Payment brand initiatives as well as portfolio applicable legal and regulatory requirements. In addition, EBC serves as the liaison with the Payment Brands and supports various Risk Management functions within the Acquiring line of business.

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DE: This is David Evans from FinReg21.com. Last May, the President signed the Credit Card Accountability Responsibility and Disclosure Act. The first phase of the CARD Act goes into effect today, August 20th, 2009. To talk about what all this means for the payment business, we have the pleasure of having Victoria Strayer from TSYS with us. TSYS, of course, is one of the largest payment processing companies in the world and is based in Columbus, Georgia. Victoria is the senior director of enterprise business compliance at TSYS. She's worked for 25 years on the issuing, acquiring, and processing side of the payment business. Thank you very much for joining FinReg21. It must be a very busy day for you, Victoria.

VS: Thank you, David. I'm happy to be here.

DE: Victoria, what parts of the CARD Act are going into place today?

VS: The three primary points that are effective today are the 45 day APR requirement for notification, the fact that a consumer can actually refute that, refuse it, and close their account and then the 21 day requirement for statements. The statements must be mailed at least 21 days prior to the payment due date for the consumer.

DE: And what's involved in implementing those changes on the part of the card issuers?

VS: Well, as you can imagine, there's been a good deal of analysis that has gone on around the risk models and around the automation of APR to ensure that all of the different scenarios are understood and the issuers know what programs they need to update and then if you think about a statement cycle and all of the parties that are involved in that, there's a good bit to do around understanding the relation to the cycle cutoff times and the statement delivery dates. So there's been adjustments that issuers have had to make to be ready for that.

DE: And were the card issuers prepared to do this? At least the large ones?

VS: Well, like it or not, here we are, right? So I believe that they're as prepared as they can be. They have the regulation, the interim final rule that provided the guidance for what is implemented today and that came out on the 15th of July. Now some of the decisions that they had to make around the August implementations may have implications based on what comes out in February. So they had to do some guess work to be honest, but I think the issuing industry as a whole has absolutely done the best they can to be prepared for today and to comply with today.

DE: But what do you think the biggest obstacles were in face of the issue, or as in getting ready for today? What were the biggest problems they had to deal with to launch today?

VS: You know, a couple of different things from various perspectives. Initially, I would say the time. The CARD Act, as you mentioned, was passed in May and given the fact that many of the components were already being worked on because they were, as a result of (inaudible) changes that we were already anticipating, the implementation timeframe was significantly accelerated for these August pieces. So doing the analysis and understanding what they had to do to be compliant for today was pretty significant and then when you think about the level of risk analysis that they would have to do and then the partnership with their third parties, whether it be their processor or their statement generator. They had to ensure that all of those timelines came into an alignment with today's date. So it's been very significant.

DE: Are issuers and other players in the card business making other changes in anticipation of the provisions of the CARD Act, as it's going into effect – I guess it's February of next year?

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VS: February, absolutely. And they certainly are. So the next round is very much impacting disclosures, further impacting various fees. We have the implications to how you market to our young consumers. So there are a number of policy updates that the issuers are having to not only define but train and implement in addition to the technical requirements that they're either making themselves or they're working in partnership with their third party providers to position for. So they're extremely busy and as you can imagine, as we approach the testing cycle for all of those activities that have to take place in February, the work has just begun.

DE: You mentioned the third party providers. What are the service providers to the issuers doing to assist the issuers in coping with the CARD Act? How is the responsibility being divided between the issuers themselves and some of the third party providers?

VS: Well, certainly from a third party perspective, any third party supporting the infrastructure of the issuing industry or the payments industry in general, has to be sure that the products and services and platforms that they offer allow the issuers to be compliant with all of these regulations. So it is critical that we take a responsibility to educate as well as to communicate with our customers, with the issuing community. So the education is around what does each support in the current day environment? What are the changes going to be? What is the project lifecycle? Collaboration initially as we say, well, what do these rules really mean? So for example, as we're talking about February, we don't have final rules for February yet. We anticipate in September, we'll get proposals with a 30 day comment period, but again, we're already in development for any of the changes. So it's critically important that all third parties are having a very collaborative dialogue with their issuers. So from an interpretation perspective, we all get to the same goal line.

DE: And I assume that TSYS is working closely with your client. Is there anything you can share with us? Things that TSYS is doing to help out in this process.

VS: Sure, absolutely. We have been very active in this. When it first started, from the (inaudible) proposals, all the way through the CARD Act and we've been communicating with our clients via collaborative meetings, information bulletins, webinars, around what we anticipated was coming, what is here now, what we're developing, our lifecycle, choices that they may need to be considering. So we take a processor third party approach because we have certain things we need to deliver, but we're also very collaborative with our clients to ensure we help them think about all of the other business and operational implications they should – because as you can imagine, we have clients that are extremely large, we have those that are smaller, and we want to ensure that all of them have the opportunity of the breadth of knowledge that we have and that we gain from some of the forums and various dialogues we've had an opportunity to be part of.

DE: This is a big change for the card industry. Does it provide any opportunities for players in the card business?

VS: Absolutely, and it's going to need to. So as we look at the challenges, and I've talked about the timeframes and we certainly will talk about the implications around revenue, risk implications, and we read daily about the hardship potentially this is putting on the payments industry. It has to be a kind of opportunity. We have to challenge ourselves, as players in the industry, to be innovative. Where are we going to go from here? The game that we play tomorrow will need to be different.

DE: Isn't complying with the CARD Act distracting issuers from focusing on other initiatives?

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VS: Absolutely. I would say that many of our clients and issuers that aren't our clients specifically, have had to take other initiatives and kind of put them to the side, particularly because the CARD Act and the timeframes around that were accelerated so dramatically. They also need to take the initiatives that were in their pipeline and reevaluate them and based upon the new compliance rules, do they need to retool those? And not just about the compliance rules, but think about where we are from a state of the economy. The business model may need to shift a bit because of those implications as well. So how do they take those projects and now prepare them for the new world?

DE: There was a *Wall Street Journal* article yesterday that suggested that at the end of the day, the CARD Act is going to result in reducing the supply of credit to consumers. Do you think that's likely to be the case?

VS: I think so and I'm not alone in that and I believe some of that's already been seen. We've seen where it's not just the fact that between Card and the economy, risk models have tightened up, underwriting practices have tightened up, individuals that had access to credit may either not have that credit any longer or the lines of credit that they were able to qualify for in the past may have shrunk.

DE: But am I correct that there are probably some consumers that will benefit from the CARD Act's provisions?

VS: Oh, absolutely. There's some good things in the CARD Act as it relates to protecting consumers, helping consumers understand, so if you think about the revolver who now is going to have a better understanding of if I only make my minimum payment, how long is it really going to take me to pay off my bill? Or what is that 800 number that I need in order to get some advice because I'm in trouble? Some of the marketing of some of the issuer messages has even said if all I do is transact and pay my bill off every month, I may have a couple more days to pay that off and when we look at the marketing to our young consumers, while how we do that is still a bit interpretive because we need the final rules around that, at the end of the day, the goal is to be able to protect and educate those young consumers. So certainly there are some good things.

DE: TSYS operates around the world. Are there other consumer protection efforts going on outside the United States that are of interest?

VS: Absolutely, and I think if you look anywhere in the globe, at some level, consumer, consumer protection is a topic and a hot topic. So for example, in the UK, there have been a couple of initiatives that have recently been enacted. So fourth quarter of last year, the Consumer Credit Act was implemented. They're in the process of implementing the payment services directive. Canada has a proposal that the comment period just closed on recently where the Parliament will act on a proposal that is very similar to the CARD Act and even some of the recent adjustments to that that we've seen are in alignment with the adjustments that the CARD Act made over the original (inaudible) proposals, so we're seeing that across the globe.

DE: The Obama administration has proposed the creation of a new Consumer Protection Agency that would have responsibility for enforcing the CARD Act and possibly other regulations, moving us from the Federal Reserve Board to a new agency. Good idea? Bad idea? Hard to say?

VS: I would say hard to say, but with some very specific caveats anyway. So some of the concerns around that is we are a very, very complex industry. The financial services industry is very complex. The payments industry is very complex and I think that just in what we've seen as some of the unintended fallout from the CARD Act, I think Congress, and in general, we're

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learning how complex we really are. If you look at some of the provisions, I think we've jumped too quickly. We should focus on the sectors that have caused us some problems that are not as regulated right now. Should we kind of focus on that first? I have some concern, as anybody who operates in multiple states with the provision for pre-empting the federal and the federal layer is kind of the baseline and the states can then do what they want. Can you imagine trying to comply with 50 different flavors of a piece of regulation? So that's very concerning. The funding of this very large bureaucratic agency I think is also going to cause issues that unintendedly will fall right down to the consumers. So I think again there's some ideas within it that are perhaps good, but the way we're going about it is probably not appropriate and it's too broad.

DE: Victoria, what are the things companies and the payments business should be watching out for over the next several years?

VS: Further regulation. I'm sure that we will see whether it's about consumer protection, data protection. We will continue to see interest in what we're doing and various flavors of regulation coming into that. How the global economy plays out. And then just where our next layer of innovation is. Again, for not just consumer protection, but for many reasons, this industry needs to change. We need to transform. What are we going to look like three to five years from now? Or ten years from now? We've got to be very involved and engaged in crafting that picture so we can be prepared to support it and provide value for all parties that are part of this.

DE: There's no doubt that these are interesting and exciting times although perhaps some days, a little bit too exciting.

VS: Oh, absolutely. That's why I love coming to work every day.

DE: Victoria, we really appreciate your time today. Thank you very much for your contribution today. I know, as I said, that it's a very busy day for you because of everything that's going on, but thank you so much and we hope to see you again on FinReg21.com sometime –

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