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April 24, 2014

The Honorable Jerry Hill
California State Senate
State Capitol, Room 5064
Sacramento, CA 95814

**SUBJECT: SB 1351 (Hill) PAYMENT CARDS
OPPOSE**

Dear Senator Hill:

We write to oppose SB 1351, which would impose an inflexible mandate on companies to adopt a specific payment technology. In doing so, SB 1351 would not only undermine industry's existing roadmap for adopting this very technology, but would also reduce the payment industry's ability to adapt to new threats that arise.

ETA's more than 500 members processed \$5 trillion in annual payments in the U.S. last year. As consumers' first line of defense against financial fraud, the members of the Electronic Transactions Association (ETA) are staunchly committed to protecting the integrity and security of consumer payments.

Advanced technologies like chips embedded in credit and debit cards ("EMV" cards) are already coming to market in the U.S. by October 2015. The payments industry has been working for more than 4 years to facilitate EMV acceptance at more than 8 million merchants in the United States, and we are in the final stretches of the effort. Even a well-intentioned disruption to the timeline could slow the migration process, delay widespread adoption of new technology, and expose consumers to unnecessary confusion.

Moreover, while EMV will help deter criminals from producing counterfeit cards, new technologies like tokenization and other forms of encryption, as well as mobile payments and digital wallet cloud solutions, also hold great promise to deter and prevent fraudulent activities on our payments systems. Indeed, while Europe was able to vastly decrease the incidence of counterfeit card use through EMV adoption, they also experienced a migration to other types of fraud, namely card-not-present fraud that continues to expose customer data. It is only through technological innovation and layered security that we will achieve success against cyber criminals.

The electronic payments industry is currently implementing advanced technologies in the marketplace without government mandates. Codifying one technology picks winners and losers at the expense of innovation and competition as well as stifles nascent marketplace innovations that hold great promise for reducing future criminal activities that impact consumer data. As a result, we write to inform you that we **oppose** your bill, **SB 1351 (Hill)**.

A handwritten signature in black ink, appearing to read "Scott Talbott", with a long horizontal flourish extending to the right.

Scott Talbott
Senior Vice President
Government Relations