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May 21, 2014

The Honorable Noreen Evans
Chair
Senate Banking and Financial Institutions
State Capitol, Room 4085
Sacramento, CA 95814

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

Dear Chairman Evans:

The Electronic Transactions Association (ETA) writes to oppose SB 1351, which would impose an inflexible mandate on banks and retailers to adopt a specific payment technology. In doing so, SB 1351 would both undermine the existing industry roadmap for adopting this very technology and reduce the payment industry's ability to adapt new technology.

ETA's more than 500 members, acquiring banks, networks, processors, software and point of sale makers, represent the entire electronic payments system. ETA members processed \$5 trillion in annual payments in the U.S. last year.

The payments industry has been working for more than four years to facilitate acceptance of credit and debit cards embedded with chips at more than eight million merchants in the United States by October 2015, 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.

Chip technology will prevent a criminal from producing counterfeit cards. It is one part of the industry's layered approach to protecting consumers from other types of fraud. We are also simultaneously implementing tokenization and point-to-point encryption. It is only through this layered approach to security that we will achieve success against cyber criminals. SB 1351 will direct resources away from these technological efforts.

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. As a result, we write to inform you that we **oppose SB 1351 (Hill)**.

A handwritten signature in blue ink that reads "Scott E. Talbott". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Scott Talbott
Senior Vice President
Government Relations

CC: Senator Jerry Hill
Members, Senate Committee on Banking and Financial Institutions