PREPARED STATEMENT OF MERCHANT CUSTOMER EXCHANGE
(MCX)

For the

COMMITTEE ON ENERGY AND COMMERCE OF THE
UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE

On

THE DISRUPTER SERIES: MOBILE PAYMENTS

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Chairman Burgess, Ranking Member Schakowsky, and distinguished members of the

Subcommittee, thank you for the opportunity to testify on behalf of Merchant Customer

Exchange, LLC or MCX. We appreciate the invitation to appear before the Subcommittee to

discuss the rapidly developing and evolving mobile payments space. The Subcommittee's interest in the topic is welcome as mobile payment solutions are rapidly moving to the forefront of consumer technology innovations both in the United States and globally.

Who is MCX?

The Merchant Customer Exchange ("MCX") was founded by a leading group of U.S. merchants in 2012 to create a broadly accepted consumer mobile commerce platform. MCX's members include retail leaders in the big-box, convenience, drug, fuel, grocery, quick and full-service dining, specialty-retail and travel categories. MCX is focused on creating convenience for consumers by allowing them to securely pay for goods and services from their handheld mobile device while also providing opportunities for merchants to directly connect with consumers to provide offers, loyalty programs, and more direct interaction with the merchants they shop with.

This new network will benefit a wide range of consumers in three basic ways:
   (1) Delivering a better shopping and payment experience by enabling customers to interact directly with merchants through virtually any smartphone
   (2) Safeguarding consumers and merchants by maintaining the direct relationships that merchants have with customers and protecting customer data
   (3) Bringing balance to the payments ecosystem

Together, MCX's member companies process in excess of $1.2 trillion in payments annually, giving MCX scale and ubiquity that will allow consumers to use their smartphone wherever they

may shop. MCX also brings together the best in class in technology and mobile payments partners, to create an unparalleled network in the mobile space.

To achieve this goal, MCX has launched its own proprietary application (or "app") called "CurrentC" that can be downloaded to any smartphone a consumer may choose. We have conducted private rollouts with leading retailers and their employees, and, as of September 15, 2015, are currently in a public beta operating in Columbus, OH. The purpose of our beta in Columbus is to gather additional learnings from consumers and merchants to continue to refine and improve our product to meet the needs of both consumers and merchants. Expansion of the rollout will continue as additional merchant partners go live in Columbus throughout the balance of 2015, with national public availability currently anticipated in 2016.

Today, consumer's experiences with payments can differ fairly drastically depending on where they are shopping. At a fuel station, they may be asked to dip their card and type in their zip code to begin fueling. At sit down dining establishments, consumers wait for a server before physically relinquishing their card. Other merchants have more of a self-service experience, where consumers swipe their own cards at checkout.

We have specifically designed our technology platform to support the best, most progressive technologies to deliver an optimal payments experience at any merchant to serve their customers in the best possible manner. To deliver that best experience at each merchant, we are leveraging several types of technology solutions. We remain open to new technologies, and are always looking to source the best options for consumers and our merchants.

Providing Consumer Benefit

Replacing more than the swipe

Fundamentally, the current payments system works well from a consumer's perspective. Swiping a credit/debit card is widely accepted, easy to do and familiar. MCX and its merchants are focused on providing consumers new more convenient, more rewarding, and safer way to shop.

CurrentC provides incentives to consumers in four important ways:

Wide acceptance: Our owner-members already include national and regional leaders in the large-format, convenience, pharmacy, fuel, grocery, quick- and full-service dining, specialty-retail and travel categories. We are focused on acceptance in the places where consumers shop every day. Developing that network will give consumers the ability to shop with frequency, and to develop the "muscle memory" of using CurrentC, allowing it to replace the card swipe over time while providing additional security and convenience.

Accessibility: At MCX, we are technology agnostic. CurrentC is available on virtually any smartphone, regardless of model. We believe that consumers should have the convenience of mobile payment regardless of their hardware choices; and because CurrentC is cloud based, it is easily transferable should a consumer change their chosen mobile device solution. We have also partnered with merchants to provide the CurrentC payments network to consumers within the merchants' own proprietary "apps". This

means a consumer can choose to access CurrentC directly or have the flexibility to garner the same benefits if they wish to use the merchant app to shop and pay.

Personalized benefits: Merchants value their relationships with their customers, and want to enhance those relationships, adding value that motivates consumers to shop in store with a faster, safer and more secure way to transact. CurrentC delivers by including consumer loyalty cards/accounts, empowering consumers to apply offers, coupons, promotions, whenever they pay in one single transaction. Our solution is designed to combine all of those benefits instantaneously, together, in one QR code read, so that a consumer no longer has to remember a phone number to activate their loyalty account or use their key chain to get discounts. Because CurrentC is tied directly into the POS terminals at our merchants, we have the ability to deliver additional benefits such as item-level coupons, which alleviates the need to either clip and carry paper coupons or discount offers – all in an effort to provide consumers flexibility, choice, and the ability to benefit from the offers and loyalty directly from their handheld device. At present, we are in market with several innovative technologies, including QR Codes, Bluetooth Low Energy, and Geo Location, providing the best user experience regardless of location.

Broad payment options: Consumers will have the freedom to pay using a variety of financial accounts, including personal checking accounts, merchant gift cards, private label credit and debit cards, and general purpose credit and debit cards. MCX recently signed a partnership with JP Morgan Chase, which will increase the options available in the CurrentC wallet. It is anticipated that additional general-purpose credit and debit

cards will be available in the future. At MCX, we are always open to adding new forms of payment that will provide greater convenience for consumers and allow them to realize the benefits and incentives of moving to paying in their favorite merchants using the CurrentC mobile payments platform.

Innovative and Secure Technology

Consumers are inundated with headlines around data breaches and identity theft. As a result, they have become more aware of the vulnerability of various payment methods and technologies. However, many consumers remain in the dark about how to leverage the latest security technologies in their every day lives. At MCX, we believe it is incumbent on mobile payments technologies like ours not only to use the latest security technology, but to help educate consumers about how it is working for them.

We are leveraging cloud technology to avoid storage of any sensitive consumer information on the phone or transferred at POS. Our app uses secure dynamic tokens, uniquely generated for each individual transaction, to facilitate transactions instead of constantly passing the data between the consumer, merchant and financial institution. In the simplest terms, using a "dynamic token" means that consumers can feel assured that their personal financial information or payment information is never stored on the device, is never stored on the merchant POS, and even if the dynamic token was stolen, it is worthless because it cannot ever be used again.

CurrentC was designed to ensure consumers are in control of their personal security, and

provides visual evidence to demonstrate that our security and protective measures are working for them.

(1) Our registration process includes several security questions which are used as identifiers should consumers get "locked out" of the app.

(2) Consumers are asked to create and use a customized 4-digit personal PIN to unlock the app every time they exit and re-open it. A lost or misplaced phone can't be used to pay, because the 4 digit personal PIN needs to be activated for each and every payment transaction.

(3) We provide an easy to follow process to disable a phone from CurrentC should a consumer lose their mobile device and wish to shut their account down for peace of mind.

CurrentC was also created with consumer support in mind. Our customer care team is available seven days a week, staffed with a live team trained to help consumers navigate the CurrentC app, and any issues that might arise. The customer care staffers are prepared to help address consumer questions, providing honest, transparent answers.

Data Protection

As a part of the MCX network, merchants can connect directly and more efficiently with consumers. The current payments ecosystem frequently separates merchants from their customer

information and communication flow, allowing third parties to intercept and use that information for their own benefit. Our consumer-facing brand "CurrentC" puts control of that information back into the hands of consumers and merchants, allowing merchants to build engagement with their consumers directly around savings, loyalty and payments.

Consumer information is shared with a merchant only when a consumer chooses to interact with that merchant while using CurrentC. For example, if a consumer adds their "Merchant A" loyalty account, or pays with CurrentC at a "Merchant A" location, that information is only shared with "Merchant A". We do not share information about your relationship with "Merchant A" with any other merchant in our network. "Merchant A" may match that data (such as a loyalty account number) to info that already exists in their databases to personalize and improve that consumer's shopping experience. Consumer data is never sold.

Conclusion

We want to reiterate our appreciation for your interest in mobile payments technologies, and for providing Merchant Customer Exchange with the opportunity to share more about the innovation currently underway in the mobile payments space. We truly believe that mobile payments will provide a better opportunity for merchants and consumers to experience an improved shopping experience overall by:

- Providing consumers choice on how to pay

- Providing consumers flexibility on which handheld device they can choose

- Providing consumers loyalty, rewards, and savings benefits in a simple and easy "one-step" transaction

- Providing consumers with a more secure method of payment – by utilizing state of the art tokenization technology

- Providing merchants and consumers the ability to interact directly so that both parties have a more rewarding customer engagement

- Protecting customer data and merchant data so that third party providers are unable to target consumers or merchants without their knowledge