

SAMSUNG

**PREPARED STATEMENT OF SAMSUNG ELECTRONICS
AMERICA**

For the

**COMMITTEE ON ENERGY AND COMMERCE
OF THE U.S. 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 Samsung Electronics America. For today's hearing, I'd like to introduce you to Samsung Pay, which combines security, simplicity, and widespread acceptance like no other mobile payment solution. Whether it's fighting fraud or helping consumers zip through Black Friday checkout lines, Samsung Pay benefits consumers, retail merchants, and financial institutions.

Consumers. Samsung Pay is accepted virtually anywhere you can swipe or tap your card: from the grocery store to the coffee shop to your favorite department store. It's secure, easy to set up, and simple to use. Swipe up to launch the app. Confirm your identify with your fingerprint. Hover your device over the merchant's payment terminal to pay. Done – with by far the widest acceptance of any mobile payment service.

Merchants. Samsung Pay also increases security for merchants and keeps their customers happy by providing a safe and innovative payment experience. It does this by leveraging existing infrastructure

and supporting all payment terminal types, including magnetic stripe, NFC, and EMV terminals. This means merchants do not have to upgrade or buy additional equipment to support competing mobile wallets. It also increases checkout speed – the consumer just taps their phone to the merchant’s PoS terminal, and that’s it.

Financial Institutions. For banks and other financial institutions, Samsung Pay’s tokenization and fingerprint authentication features limit fraud and reduce liability. Our solution also integrates cleanly with the ecosystem’s existing and planned investments in security.

So those are Samsung Pay’s benefits in broad strokes. Importantly, our innovation was made possible by the government’s decision to have consumers pick the winners in the mobile payments space and to refrain from adopting mobile payment-specific laws and regulations. Going forward, Congress should continue to allow consumer choice to drive innovation and differentiation in this space.

I. BACKGROUND ON SAMSUNG ELECTRONICS AMERICA

Before diving further into Samsung Pay, it might help if I highlighted Samsung's presence in America and how our U.S. employees are driving Samsung Pay's evolution.

Headquartered in New Jersey, and with major facilities in Dallas, Palo Alto, Austin, South Carolina, New York, and Massachusetts, Samsung Electronics America is a recognized innovation leader in smartphones, consumer electronics, IT, and home appliance products. We employ approximately 15,000 people in America, and our \$15 billion dollar investment in our Austin Semiconductor plant is the largest single-site foreign direct investment in America. Additionally, in the past year, our parent company, Samsung Electronics Corporation, moved Samsung's Global Centers for Excellence in services and content and marketing to California and New York. And our employees at those two locations – California and New York – have driven much of Samsung Pay's development and success.

II. SAMSUNG PAY – BRINGING SECURE MOBILE PAYMENTS TO CONSUMERS

Several years ago, Samsung’s R&D teams began plans to extend our ingenuity into mobile payments. Based on our research, we found that consumers would only transition from plastic cards to mobile payments if the technology solution is: (1) secure; (2) easy to use; and (3) widely accepted at merchants nationwide. We concluded that many of the world’s top tech companies could make a secure and easy to use mobile payment solution. The tricky part – and what held back the widespread consumer adoption of mobile payments – has been the reliance of other mobile payment solutions on NFC (Near Field Communication) technology.

Although NFC technology shows great promise for future mobile payment solutions, only a small fraction of total merchants have adopted NFC-equipped PoS terminals. Without the infrastructure in place for accepting NFC-based transactions, consumer acceptance of NFC-only mobile payment services has remained low.

Enter Samsung Pay. Unlike other mobile wallets in the market, Samsung Pay lets you pay at most any terminal where you can swipe a credit card. To accomplish this, we're using an innovative new technology known as MST (Magnetic Secure Transmission). MST builds on the magnetic stripe payment terminal technology already accepted by more than 30 million merchants worldwide. Specifically, MST emulates a swipe transaction thanks to a tiny coil in our phones that transmits the same magnetic code that magnetic stripe readers normally get from a credit or debit card. By including both MST and NFC technologies in our phones, Samsung Pay enables customers to make secure payments at almost any merchant, regardless of the merchant's PoS equipment. EMV, NFC, traditional magnetic stripe terminals . . . SamsungPay works virtually everywhere.

Samsung is also building an extensive ecosystem to broaden acceptance of Samsung Pay. In America, we're partnering with leading financial institutions such as American Express, MasterCard, Visa and Discover, major banks including Bank of America, Chase, Citi, Suntrust,

U.S. Bank, and additional ecosystem partners including First Data, Synchrony Financial and TSYS.

III. SAMSUNG PAY = UBIQUITOUS SECURITY, NOW

Simply put, Samsung Pay has revolutionized payment security for consumers. Samsung-Pay users can now make secure, tokenized payments virtually anyplace that accepts a credit or debit card. No other payment solution comes close.

With tokenization, Samsung Pay never provides a consumer's 16 digit Personal Account Number (PAN) to a merchant to process a transaction. Instead, Samsung Pay provides merchants with one-time tokens – created by the consumer's credit card company (e.g., Visa, Mastercard, AmEx) – that enable the merchant to process the transaction without exposing sensitive customer information to potential data thieves.

Samsung Pay utilizes biometrics as well, which allows users to apply a fingerprint to the phone's built-in sensor to authenticate a transaction. Additionally, our smartphones incorporate the Samsung KNOX security platform, keeping all payment data locked and secure.

Certainly, other mobile payment solutions employ tokenized transactions. But, as I mentioned earlier, these solutions only work in the small fraction of stores with NFC-equipped terminals. Samsung Pay enables consumers to make secure transactions almost anywhere.

Finally, any mention of security is not complete without a discussion of user privacy. At Samsung, we take customer privacy very seriously and have embedded privacy controls in the Samsung Pay platform.

For example, Samsung does not – and cannot – monitor user purchases. After a payment is accepted by the issuing bank, the card network may optionally send a notification back to the device that contains details of the accepted transaction. But these details are encrypted, and can only be decrypted on the consumer’s device.

IV. What’s next?

Samsung wants to enable all consumers – regardless of income, ethnicity, and technological sophistication – to make secure payments. Financial inclusion is something Samsung takes seriously given our unique position as a leading provider of phones to lower-income

individuals and the broader underbanked community. Simply no other tech company reaches as diverse an audience as Samsung, and no other company offers consumers such a wide-array of innovative products at different price points. Accordingly, we're closely examining the opportunity to include Samsung Pay in the greatest range of devices for 2016 and beyond. As we do so, we'd welcome your thoughts and any input from your constituents.

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Thank you again for holding this hearing and for allowing Samsung to share our thoughts on the wide-ranging benefits of mobile payments.