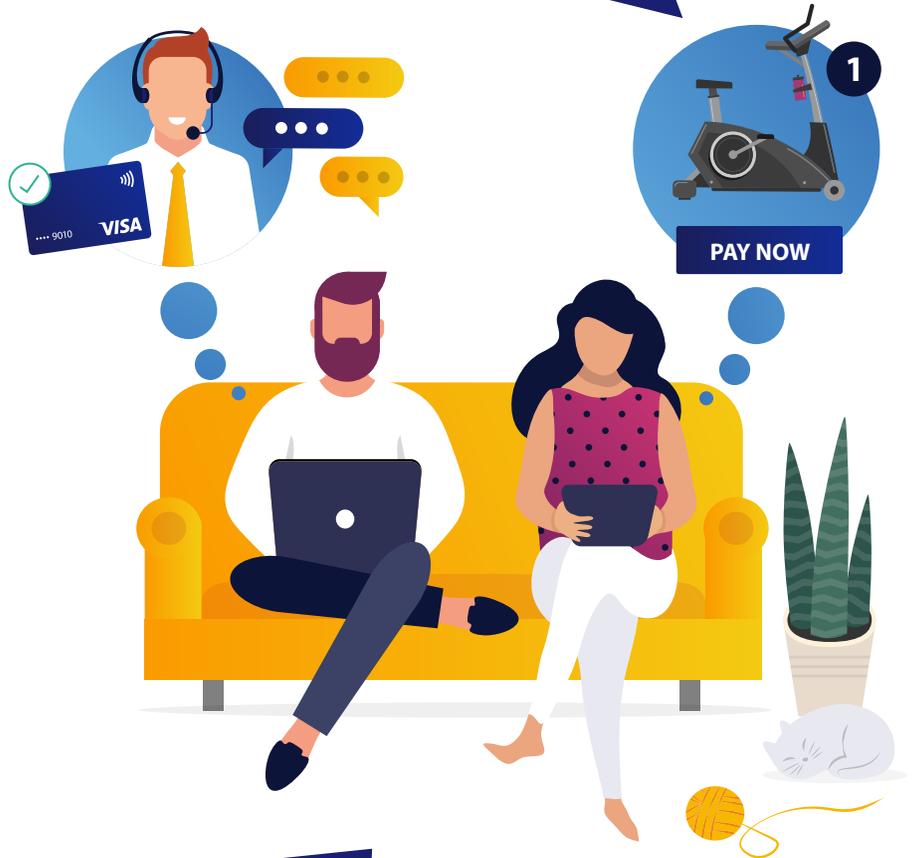


Credit Issuer

Best Practices Checklist

The wide spread of COVID-19 has severely affected economic systems around the world, sparking concerns of a global recession. Today, global lack of certainty is resulting in some sort of disruptions on the supply and demand of most industries. This crisis is igniting new lifestyle trends, such as working from home and further demand for digital and contactless experiences.

Industry experts are projecting relevant impacts in the payments ecosystem¹, which, coupled with rising unemployment rates and increased credit risk exposure², pose financial challenges to consumers, issuers and merchants alike.



Sources:

1. How payments can adjust to the coronavirus pandemic (McKinsey, March 2020)
2. The impact of coronavirus on the global economy (Euromonitor, April 2020)

TOP 10 Actions for Issuers to Immediately Cope with COVID-19 Pandemic

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1. Reassess card value proposition: Issuers must be reactive and proactive, reassessing their card value propositions to become relevant to the new reality. There is an opportunity at this time to refresh platform benefits to address new consumer needs and priorities that this pandemic has created

- a. Review Card Features
- b. Accelerate contactless payments initiatives
- c. Promote personal financial management tools

2. Optimize underwriting strategies: With forced closure of non-essential businesses and increasing unemployment rates, consumers and businesses alike may need to tap into credit to address immediate needs. These are a few recommendations for issuers:

- a. Leverage internal analytics/ behavior scoring
- b. Understand chain reaction effects
- c. Refine digital strategy
- d. Build the capacity to handle a spike in delinquencies
- e. Identify vulnerable borrowers at risk of becoming delinquent
- f. Stand up a specialist analytics unit

3. Enhance credit line management: Effective credit line management helps mitigate credit exposure during crisis to ensure a better management of the risk exposure

- a. Work on processes and training materials for modification programs
- b. Track and manage changes in the asset portfolio
- c. Consider lowering credit lines for low usage and inactive cardholders

4. Accelerate digital spend: Issuers have an opportunity to push digital, potentially laying the foundations for a lasting shift to digital. Becoming digital top of wallet is now more important than being top of the physical wallet

- a. Promote Card On File Strategies through Targeted offers
- b. Provide additional flexible payment options like Installment plans
- c. Optimize Card Not Present authorizations, especially for debit BINS

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- **5. Support digital customer experiences:** issuers can leverage digital channels to deliver a frictionless customer experience throughout the customer's lifecycle
 - a. Accelerate digital sales programs
 - b. Encourage use of digital products and channels
 - c. Implement robust authentication capabilities for digital channels
 - d. Establish dedicated digital service line to address cardholder's hardship
 - e. Pay attention to the UX and control features of your digital properties

- **6. Consider offering relief measures:** Cash flow, not credit quality, is the big issue consumers are facing during this crisis. In response, issuers around the world are offering relief programs to customers facing financial hardship due to COVID-19. This is a snapshot of what banks around the world are doing:
 - a. Waive or reduce fees or Lower interest rates
 - b. Provide an emergency credit limit increase for eligible cardholders
 - c. Provide payment holidays of up to three months, without impact on credit score

- **7. Adapt fraud policy:** Financial services firms are already seeing a sharp uptick in attacks in the wake of the new coronavirus. Anticipate an uptick in fraud claims and have a strategy in place
 - a. Adjust Card Not Present detection strategies like you do in holidays periods
 - b. Utilize transaction alerts (especially for card not present)
 - c. Analyze and optimize the fraud rules based on false positives

- **8. Mitigate Losses:** Credit delinquency is likely to increase, as impacts of COVID-19 are expected to continue after the pandemic is contained. Therefore, implementing proper risk management and loss mitigation policies is key for maintaining portfolio profitability
 - a. Consider adding triggers & guardrails to properly monitor performance
 - b. Leverage customer historical payment activities to detect payment pattern changes
 - c. Consider adjusting credit policy based on cardholder behavior changes

- **9. Keep doing what you know:** Good customers should continue to receive the same benefits of portfolio management. Issuers have several strategies to improve the performance of the best customers and retain them
 - a. Identify candidates who qualify for an "upgrade", cross selling, etc.
 - b. Execute reactivation efforts to high potential accounts that are inactive

- **10. Excel in digital customer service:** Digital engagement will be vital to allow clients to feel close to the institution. As the dust settles, the outbreak will bring digital engagement in financial services to a new level of appreciation and awareness
 - a. Increase client training and education to adopt digital tools
 - b. Reassert your firm and demonstrate incremental value
 - c. Increase staff to support remote banking services
 - d. Establish a dedicated Call Center cell for special groups

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Understanding the new consumer habits



Boosting customer loyalty and product positioning



Identifying opportunities to maximize your portfolios



Enhancing your go to market with our Product services and toolkits

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