



**Tom McCrohan**  
tom.mccrohan@c  
+1 212 549  
5031

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# USA - Financial Technology

## Sector outlook

Tom McCrohan. 07-Aug-2015. 7 pages

## McCrohan's Weekly Take Rate

### We review the week in financial technology

**This week included PayPal naming a new CFO, fraud statistics that underlined the lack of EMV compliance that continues to cause increased levels of card present fraud in the US, insight into Square Capital, and Visa's introduction of mVisa in Bangalore.**

**PayPal's new CFO** PayPal will be replacing interim CFO Patrick Dupuis with newly hired John Rainey, who will become CFO effective 24 August 2015. Rainey comes from United Continental Holdings, where he was Executive Vice President and CFO of United Airlines since April 2012, and served as Senior Vice President of Financial Planning and Analysis from October 2010 to April 2012. Prior to the merger of United and Continental in 2010, he served as VP of Planning and Analysis for United Airlines from 2005 to 2010. Mr. Dupuis, who served as PayPal's CFO for five years, will remain with the company in the newly created role of SVP of Simplicity, Quality, and Productivity.

**US continues to account for disproportionate amount of card fraud** The Nilson Report recently reported that in 2014 the United States was responsible for 48.2%, or \$7.7 billion, of gross losses worldwide on plastic cards despite generating just 21.4%, or \$6,187 billion, of total volume. According to EMV Co, just 0.12% of card present transactions in the US were EMV compliant as of December 2014, with the next lowest region being Asia at 27%. It's this lack of EMV deployment that continues to drive card present fraud in the US. The Nilson Report noted that fraud losses that banks and merchants incurred on credit, debit, prepaid, general purpose and private-label payment cards were 0.13% in the US, but closer to 0.04% in all other regions combined.

**Square Capital advancing \$1 million per day** This week, *Fortune* reported that Square's financing division, Square Capital, has advanced \$225 million to some 20,000 businesses since its launch in May 2014 and is on a current annual pace of \$360 million in advances. Square has been widely reported in the media to be confidentially filing for an IPO, and the company was most recently valued at \$6 billion after

a \$100 million round of financing in September 2014. This comes despite PrivCo data that shows Square has annual losses of over \$100 million on annual revenues of ~\$500 million. According to sources quoted by *Fortune*, however, Square Capital's business is performing well and margins are higher than what was expected, aided by low customer acquisition costs, as all loans are to current Square customers.

**For a PDF of the full 7 page note, USA Financial Technology (McCrohan's Weekly Take Rate), click here **

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