NILSON REPORT

VGS Payment Tokenization

VGS, formerly known as Very Good Security, makes its PCI-compliant vault available to clients wanting to collect, protect and exchange tokenized data. Tokenization replaces raw data with an alphanumeric representation protected by a cryptogram.

When a merchant tokenizes sensitive data, the financial risk associated with a data breach is significantly reduced. Also reduced are the costs associated with complying with card industry data security regulations. Dedicated token vaults can cut costs by as much as 95%.

The cloud-native VGS tokenization platform, which is also SOC 2 Type 2 compliant, can collect a card account number or other sensitive data from a merchant or issuer client via an API, via an SDK or by using the company's proprietary JavaScript. The VGS vault currently stores more than 3 billion tokens and initiates more than 2 billion monthly data calls.

Data is transmitted from the client to the vault using another technology that is proprietary to VGS, a virtual private network-like system.

That technology lets VGS identify an incoming token and match it to the original card number in near real time. One benefit is that merchants or card issuers can maintain their own connection to a card network or processor to facilitate loyalty, fraud fighting, payment processing or card issuance.

VGS can also store a client's tokens and cryptograms used for loyalty and PCI compliance. Clients can use VGS to share PCI information and 3DS verification with a payment service provider. Personally identifiable information (PII) can be collected and shared with an identity verification provider.

VGS has direct integrations with Visa and Mastercard. This allows it to offer network tokens and an account updater

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service to cover new card numbers tied to cards that have either expired or been lost or stolen to its merchant clients.

Customers of VGS include Amazon Web Services, Brex, Texas Capital Bank and Albertsons in the US, Zilch in Europe and Rappi in Latin America.

Competitors with stand-alone token vaults include TokenEx and Skyflow, though both operate differently. Token systems are also available from ACI Worldwide, Idemia and Giesecke+Devrient.

Many large payment card issuers, including Bank of America and Chase, have built token platforms in-house. Sometimes they use one platform for cards and a separate platform for bank accounts.

Smaller merchants can opt-in to receive tokenization services from their processors such as Stripe and Braintree.

Tokens for merchants started about 12 years ago. For card issuers, it was 8 years ago. However, less than 10% of the potential market has been penetrated.

VGS has received more than $100 million in funding since 2019 from investors including Visa, Nyca Partners, Goldman Sachs and Andreessen Horowitz.

INTERVIEWED FOR THIS ARTICLE
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Prior issues: 1217, 1159