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### Items in this issue:

|  |          |   |          |
|--|----------|---|----------|
| <b>Savantor's Views</b> .....                              | <b>1</b> | Visa to phase out signature cards in New Zealand.....       | <b>2</b> |
| The big cheque out.....                                    | 1        | Spending on plastic up 7.1%.....                            | 3        |
| <b>Products and Initiatives</b> .....                      | <b>1</b> | UK government outlines plans for 'people's bank'.....       | 3        |
| MasterCard launches BlackBerry ATM hunter.....             | 1        | <b>Digital Money</b> .....                                  | <b>3</b> |
| Barclaycard uses Welcome Real-time for loyalty scheme..... | 2        | Citi m-payments trial results.....                          | 3        |
| Wells Fargo and Visa launch alert system.....              | 2        | NFC Chip to enable mobile payments on almost any phone..... | 3        |
| Payments Council extends use of online tools.....          | 2        | <b>Outsourcing, Acquisition and Deals</b> .....             | <b>4</b> |
| <b>Market News and Views</b> .....                         | <b>2</b> | Gift card exchange raises \$7.4 million.....                | 4        |
| Fraud threat evolving.....                                 | 2        |   |          |

## Savantor's Views

### The big cheque out

The Times recently reported that there are plans by the UK government to force banks to provide basic bank accounts to anybody that wants to open one. This is nothing new as in 2003, the Government and the banking industry established the Financial Inclusion Task Force to improve access to banking facilities. Around 8 million adults have basic bank accounts and between 2003 and 2007, the number of adults without access to an account fell from 3.57 million to 1.75 million, according to the British Bankers Association. To legislate to resolve this looks like a sledgehammer to crack a nut as the number of restrictions placed on basic bank accounts (you can put money in, only draw it through an ATM card, no cheque book, no overdraft, no interest), means that the costs to the banks seems to be outweighed by having a little more free money in the coffers so why wouldn't they do it?

Not allowing cheque books seems an obvious move given the intention to remove these as a payment vehicle and the news that banks are already phasing out cheque guarantee cards. Santander are the latest to let its 5 million card holders know that all card issued after 1 June will not have the cheque guarantee logo on them.

On the subject of cheques we also have heard that the days of credit card cheques being sent out unrequested are coming to an end prompting MBNA to stop issuing them altogether. This pre-empts the Financial Services Bill which is expected to become law in June.

## Products and Initiatives

### MasterCard launches BlackBerry ATM hunter

MasterCard Worldwide have launched the MasterCard ATM Hunter application for BlackBerry smartphones. The app lets BlackBerry smart phone users easily locate the nearest ATM no matter where in the world they are. ATM Hunter is available for free download on BlackBerry App World.

The MasterCard ATM Hunter utilises the BlackBerry platform's location awareness technologies to pinpoint the search and locate the nearest ATM. Users without GPS-enabled BlackBerry smartphones, or who are out of GPS coverage, can still search for nearby ATMs using MasterCard's database of ATM locations. Users can customise their hunt based on their banking needs, focusing on a financial

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institution if they need to make a deposit or wish to avoid ATM withdrawal fees. MasterCard ATM Hunter can also identify wheelchair accessible, drive-through, or 24-hour access ATMs and provide directions for BlackBerry smart phone users. (Source date: 12<sup>th</sup> March, 2010)

### ***Barclaycard uses Welcome Real-time for loyalty scheme***

Welcome Real-time has announced its partnership with Barclaycard to provide the technology infrastructure behind the new loyalty scheme, Barclaycard Freedom, which recently went live in the UK. Barclaycard is using Welcome Real-time's Welcome XLS software to run and manage the campaigns and track 'Reward Money' for all cardholders across the retail outlets participating in the scheme. The software offers real-time integration with any point of sale device used by participating retailers, regardless of the payment application or infrastructure being used. This will allow cardholders to see their updated Barclaycard Reward Money balance at the point of sale, alongside any promotions from the retailer, and choose to redeem Reward Money immediately or for any future transaction. (Source date: 17<sup>th</sup> March, 2010)

### ***Wells Fargo and Visa launch alert system***

Wells Fargo has joined forces with Visa to introduce a service called Rapid Alerts for the bank's Visa credit card clients. These customers may select the transaction types that trigger an alert, including transactions that exceed a USD amount chosen by the cardholder, international transactions, CNP transactions, cash withdrawals from an ATM, declined transactions or garage transactions. Rapid Alert messages will indicate the amount, time and date of the transaction, as well as currency conversion and information relating to the merchant, such as name and location. (Source date: 24<sup>th</sup> March, 2010)

### ***Payments Council extends use of online tools***

The UK Payments Council has extended its online tool for helping customers check their payment options to cover Bacs, Chaps, cheques and paper credits. The sort code checker tool was initially introduced for the launch of Faster Payments in 2008, enabling customers to determine whether accounts could receive payments through the new service. The checker, at the UK Payments Web site, stores all of the country's 20,000 sort codes and claims over 4000 hits a day. Now, users can also enter the sort code of an account to see whether it can receive a Bacs credit or Chaps payment. They are also able to check if an account allows a direct debit instruction to be set up and if a cheque or paper credit can be paid through the clearings. The Council says its expanded checker will particularly benefit businesses who want to prevent any possible delays to a payment or the registration of new customers' direct debit details. (Source date: 25<sup>th</sup> March, 2010)

## **Market News and Views**

### ***Fraud threat evolving***

Fraud against UK financial institutions and their customers is evolving rapidly as organised criminals move into the mass-market and recession-hit consumers falsify their data, according to figures compiled by Experian. The analysis of fraud data reveals that while the wealthiest sections of society continue to be at high risk of identity fraud, fraudsters are increasingly looking to the mass-market for victims. Young couples, singles and rented home sharers are being hit as fraudsters seek to commit high-volumes of low value frauds using the identities of more easily impersonated victims. Experian's report also reveals that first-party fraud increased from around 28% of all fraud cases in the first three quarters of 2009 to 46% in the fourth quarter, at a time when identity fraud levels also grew. (Source date: 19<sup>th</sup> March, 2010)

### ***Visa to phase out signature cards in New Zealand***

Visa says all credit cards issued in New Zealand will be Chip and PIN from next month, with signature-based transactions at the point-of-sale phased out by 2012. The firm is working with banks and retailers to upgrade around 2.6 million cards and thousands of payment terminals and ATMs. Debit and reloadable cards will be upgraded from 2012. Visa is already working to migrate around 14 million cards to chip and PIN in Australia and will ban signature transactions in Australia by April 2013. (Source date: 24<sup>th</sup> March, 2010)

### ***Spending on plastic up 7.1%***

Money spent by UK consumers using credit and debit cards increased 7.1% in February compared to the same month last year. The figures released by Barclaycard follow a 3.6% rise in January 2010 compared to January 2009. However, the data also showed a drop in spending on cards between January and February of 2.5%. (Source date: 26<sup>th</sup> March, 2010)

### ***UK government outlines plans for 'people's bank'***

The UK government has published plans to turn the Post Office and its 11,500-strong branch network into a "people's bank" offering a range of financial services. As well as introducing a current account which can be accessed from any Post Office in the country, a "weekly budgeting account" is planned to help people on low incomes manage their household money and make savings by taking advantage of the discounts available for using direct debit to pay utility bills.

The government is also in "detailed negotiations" with RBS and Santander on giving access to their current accounts through the Post Office. Santander has already agreed to allow business account holders to go through the network.

The Post Office will also offer a new mortgage product with a 90% loan-to-value ratio aimed at first-time buyers. The group will also increase its lending "substantially", aiming to double the value of its mortgage book in the financial year 2010/11. A 'Saving Gateway' account is also in the offing for people of working age who are on lower incomes which aims to kick-start the savings habit, with government adding 50p for every £1 saved. (Source date: 29<sup>th</sup> March, 2010)

## **Digital Money**

### ***Citi m-payments trial results***

Data collated from a six-month mobile phone payment pilot conducted by Citibank in India demonstrated clear market demand for the technology, but also highlighted some important challenges which will have to be resolved before any commercial roll outs can be undertaken. Covering 250 merchant locations in Bengaluru, the six-month project represented the largest mobile NFC proximity payment trial of its kind to date. Eligible Citibank customers wishing to sign up for the trial had to purchase their own Nokia 6212 NFC enabled mobile handset in order to participate.

Over three thousand mobile phones were sold and there was a waiting list of people who wanted to participate in the project but were unable to buy the handset, even though most customers already owned and used more advanced smartphones. In total, 43,257 tap and pay transactions were conducted during the trial, to a value of IR26.04 million (\$570,000). However, this means somewhere around 240 mobile payments occurred per day and with 250 participating merchants, this comes out to less than 1 transaction per day per merchant. Also a significant drawback to wider adoption lies in the limited availability of NFC-enabled mobile phones. The Nokia devices used in the Citi project were generally perceived as outdated. (Source date: 10<sup>th</sup> March, 2010)

### ***NFC Chip to enable mobile payments on almost any phone***

Gemalto now offer an embedded NFC chip add-on for mobile phones. The product is a thin film that fits neatly into the phone battery compartment and connects to the metal contacts of the SIM card. This provides the benefits of NFC contactless chips embedded into mobile phones without having to wait for hardware manufactures to provide them en masse. There's nothing visible on the outside of the phone and it works on a wide variety of devices.

The Gemalto solution provides access to all the processing capabilities on the phone and therefore takes advantage of the phone's software and hardware capabilities. A native phone software application is used to manage security and interact with the user. Therefore, the chip could provide interactive access to multiple cards and provide a user friendly interface via an application on the phone. So, this means a financial institution wanting to move forward with NFC could issue these chips to customers using a similar process to how they send out plastic cards. (Source date: 25<sup>th</sup> March, 2010)

## Outsourcing, Acquisition and Deals

### *Gift card exchange raises \$7.4 million*

Plastic Jungle, a gift card exchange site, has raised \$7.4 million in its Series B financing. Plastic Jungle will use the funding to bring liquidity to the estimated \$30 billion economy in unredeemed gift cards for the benefit of consumers, retailers and other e-commerce companies. Plastic Jungle's exchange makes it easy for consumers to get the most value out of gift cards, allowing users to get cash for unwanted gift cards for up to 92% of the unused balance and buy gift cards at up to a 30% discount. The process also directly benefits retailers, creating liquidity in idle gift card balances. When Plastic Jungle buys gift cards from consumers who are not using them, it places them in the hands of highly motivated, brand driven purchasers, driving immediate revenue and profit. In the 2009-2010 holiday season, Plastic Jungle saw 450% year over year revenue growth. (Source date: 19<sup>th</sup> March, 2010)