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Savantor's Views

Cash is no longer King/Still King (delete as appropriate)

Here we go again in the annual yes it is/no it isn't debate on the future of cash. Cash has seen its position as king of payments challenged in the UK over the last 10 years by alternatives such as debit and contactless cards and the Internet, says the Payments Council, which predicts the trend will continue, leaving notes and coins all but redundant by 2050. Usually this type of report is followed by a report from the British Retail Consortium stating that cash remains robustly popular with customers. Surely it's no surprise that cash usage is declining but will it ever be wiped out? Probably not. In its 'The Way We Pay 2010' report, the Council notes that cash still appears popular, accounting for six in 10 transactions albeit down from nearly three quarters 10 years ago.

In five years, cash transactions are expected to represent less than half the total for the first time. The trend is predicted to accelerate over the next 10 years and by 2018 the amount of cash used in the UK could fall by 20%.

But then there are 63,000 ATMs in the UK today, two-and-a-half times more than ten years ago. In 1999 62% of cash withdrawn from accounts came from an ATM - by 2009 it was 85%. According to the report this does not mean society is "wedded to cash" though, just that people are accessing it through machines, not through pay-packets or bank branches. Well maybe but it also shows that customer demand for cash is still pretty strong and although the Council speculates that cash could be all but dead within 40 years - I'll bet you a tenner it's not.

Products and Initiatives

Bank of America rolls out talking ATMs

Bank of America has announced that every Bank of America ATM in the US has been equipped with voice-enabled technology. Visually impaired customers can now access more than 18,000 Bank of America ATMs, the largest network of bank-owned ATMs in the U.S.

Talking ATMs provide audible instructions in English or Spanish to persons who cannot view information on an ATM screen. These machines make it easier for people with visual impairments to withdraw cash, deposit money and perform other ATM transactions. The ATMs have audio jacks that deliver spoken instructions privately through standard headsets to protect the security of users who are blind or have

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low-vision. (Source date: 1st April, 2010)

PayPal iPhone app

PayPal claims that its new iPhone app has been downloaded over a million times since launching three weeks ago. The latest version of the app introduced a feature that lets users make payments by touching handsets together and also includes tools for splitting restaurant cheques, collecting money for events, setting reminders for recurring payments, donating and managing PayPal accounts. In the UK, PayPal is currently sitting on top of the free finance apps chart, ahead of NatWest, RBS, Bloomberg, Spendometer and ATM Hunter. (Source date: 7th April, 2010)

Nationwide bids to beat branch queues

Nationwide Building Society is to ban small value cash withdrawals at its branch counters in an effort to reduce queuing times and move more routine transactions to the ATM. The building society is increasing the minimum cash withdrawal limit for FlexAccount customers with a Cash Card and CashBuilder customers with a Cash Card, from £30 to £100. (Source date: 12th April, 2010)

Mint adds tools for tracking cash and cheque spending

Mint.com has made it easier for users to track their cash spending and monitor pending expenses, such as cheques. Addressing a top user request by enabling manual entry of transactions, the new feature makes it easy for users to get a more accurate accounting of their current financial picture. After spending cash, users enter the amount and merchant: Mint.com will automatically deduct the amount from their most recent ATM withdrawal, unless they choose otherwise. Mint.com will then apply the spending to the appropriate category and budget. For cheques, entering the cheque number and payee means the expenditure will be automatically reconciled when the amount clears.

In addition to helping people to better track spending, Mint.com's new feature will also account for tips, gifts, bonuses, owed money, or other income paid in cash or cheques. Cash, cheques and pending transactions will sync directly into a user's account -- tied to current budgets, personalised tags, categorised merchants, and linked accounts. Pending expenses will always top the list of transactions, helping people avoid overdrawing an account or exceeding credit limits. (Source date: 12th April, 2010)

Market News and Views

RBS inundated with WorldPay offers

Royal Bank of Scotland has received over a dozen bids for its Global Merchant Services business, which includes WorldPay, with private equity groups, payment processors and IT vendors all in the frame.

- WorldPay's founder Nick Ogden has teamed with backers to make an offer, through his Voice Commerce Group, ahead of yesterday's deadline for the unit he sold to RBS in 2002.
- According to press reports, French vendor Atos Origin has also made a bid while US processor TSys is understood to have teamed with private equity group Silver Lake Partners on an offer. JPMorgan's Chase Paymentech has also expressed interest.
- Advent International, which last year acquired a 51% stake in the payments processing business of Fifth Third Bancorp, has reportedly teamed with fellow private equity firm Bain on a bid.
- Another buyout firm that already has an interest in the payments processing area, Kohlberg Kravis Roberts, has also been touted as a bidder. KKR took over US giant First Data in 2007 in a \$29 million deal.
- Blackstone, Carlyle, CVC Capital Partners, Permira, TPG and Warburg Pincus have all also been reported as bidders.

WorldPay made an operating profit of £276 in 2008 and is seen as an attractive proposition for private equity firms because of its high levels of recurring revenues. Any deal is expected to value the business at between £2 billion and £3 billion. RBS has agreed to provide vendor financing and is prepared to retain a 20% stake in the unit, depending on the bids. (Source date: 8th April, 2010)

European ATM fraud losses fall

European ATM-related fraud losses fell from EUR485 million in 2008 to EUR312 million last year, a 36% drop, despite a rise in attacks, according to figures from industry group East (European ATM Security Team). International losses due to skimming attacks fell by 43% from EUR393 million to EUR226 million, continuing a downward trend from 2007. Despite this drop in losses, overall ATM-related fraud attacks rose 8%, with a total of 13,269 incidents reported, up from 12,278 in 2008. This rise has been led by a 209% increase in the number of cases of card trapping, up to 2166 incidents from 701 in 2008, while the total number of skimming incidents reported decreased by 1% over the same period.

Meanwhile, physical attacks on European cash machines have fallen by 2%, to 2468 incidents, primarily due to a decrease in the number of reported ram raids and ATM burglaries, although related losses were 7% to EUR28 million. Attacks on staff involved in the cash replenishment and servicing of ATMs rose by 40%, from 365 to 510 incidents. (Source date: 8th April, 2010)

Bank of Italy orders American Express to halt card issuance

American Express has been ordered by the central bank of Italy to suspend the distribution of new credit cards after falling foul of regulations governing money laundering, usury, and transparency. The Bank of Italy stepped in following a judicial investigation prompted by customer complaints about overbearing rates, and the use of confusing and complicated wordage by the credit card industry. The suspension does not affect existing Amex card holders, who can continue to use their cards in the country. (Source date: 8th April, 2010)

Spending on plastic up 9.2%

Spending on credit and debit cards increased 9.2% in March compared to March 2009, new figures from Barclaycard show. This continues a trend highlighted in February, when spending on plastic increased 7.1% on year. Compared to February, credit and debit card spending increased 18% in March for high street and online purchases. This is a typical increase as households begin to recover from the financial burden of Christmas and can afford to spend more. (Source date: 15th April, 2010)

Digital Money

TfL pays £1m for Oyster brand

Transport for London (TfL) has paid £1 million to buy the Oyster brand from the Transys consortium ahead of a renewed push to incorporate the contactless e-ticketing technology in mobile phones and bank cards. TfL has already worked with Nokia, Barclaycard and O2 on mobile and debit card Oyster trials. The 2008 mobile pilot was hailed a huge success, with nine out of ten participants saying they were happy using NFC technology on a mobile phone and 78% interested in using contactless services if available. (Source date: 13th April, 2010)

Cash on the decline in UK

A new report from UK's Payments Council has revealed that cash payments in the UK are in sharp decline. The Council found that between 1999 and 2009 cash payments have fallen from 73% to 59%, while debit cards and contactless cards are on the rise. Some 80 million debit cards were issued in the UK last year, accounting for £264 billion in sales - quadruple the value of 1999's figures.

The report, titled "The Way We Pay 2010," also revealed slipping credit card usage and an even steeper drop in personal cheques. The future, the council says, is with contactless cards, of which there are already eight million in use in the UK. The report states that 30 million of the cards are expected to be issued by 2012. The Council goes on to predict that by 2050, contactless payment via mobile phone could become norm. (Source date: 15th April, 2010)

Outsourcing, Acquisition and Deals

RBS Worldpay and VeriFone m-payments

RBS WorldPay has announced that it has been selected as a preferred provider of merchant accounts for buyers of VeriFone's PAYware Mobile card payment solution for the iPhone. RBS WorldPay will

market PAYware Mobile through its multiple channels, including its nationwide direct and ISO sales forces and via the web.

VeriFone's card reader slips over iPhone to accommodate card swipes and allow merchants to avoid high-cost "card-not-present" fees. It incorporates a stylus for signature capture and a mini-USB port for charging iPhone while the ergonomic reader is attached.

The PAYware Mobile card encryption sleeve incorporates VeriFone's end-to-end encryption technology, which encrypts each transaction from the time of card swipe until it reaches RBS WorldPay, and ensures secure payment processing. (Source date: 16th April, 2010)