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Savantor's Views

Mobile Banking – Twist or Stick?

It's been the next big thing (or one of them) for some time now and recent reports are not making the picture any clearer. One such report from Ovum says we are on the cusp of a mobile payments boom, a "golden opportunity" financial institutions cannot afford to pass up. So banks should forget contactless cards and put all their efforts into mobiles. All well and good but as a consumer it depends on what type of mobile you have as to whether you are interested or not. European BlackBerry and iPhone users are nearly three times more likely to use mobile banking services than the owners of other handsets, according to research from Forrester. The survey of 14000 people in France, Germany, Italy, the Netherlands, Spain, Sweden and the UK shows that mobile banking is still relatively little-used, with application-based systems particularly unpopular. SMS-based systems continue to dominate, with 10% of European online mobile phone users signing up for one-way text message alerts from their banks.

Mobile banking is still mainly used by Europeans to check account balances and recent transactions, with far fewer using it to transfer money, and pay bills. Of those that do not use mobile banking, 40% say they see no value in it and a quarter think they can wait to access their accounts through the phone, Web or ATMs. Over a fifth don't believe it is safe, 16% do not know if their bank offers the service and 11% say they do not have the right technology on their mobile phone.

Despite the relatively low take-up numbers banks are still being encouraged to update their strategies in preparation of an apparent surge in popularity as Europe sees increased smart phone adoption. Maybe Europe knows something Australia doesn't as ANZ is axing its M-Banking service next month in response to poor take up. The bank sent customers a letter last week warning that the service would be discontinued from 14 May, although its text banking and iPhone-specific offerings will remain in place.

It still seems as if consumers aren't exactly beating down the doors to get this technology and if they do decide they want it they'll probably have to buy a Blackberry or iPhone to use it so someone has a good marketing job to do before this really starts to take off.

Products and Initiatives

Swedbank introduces mobile phone e-ID system

Swedbank has launched a service that lets customers use their mobile phones to log onto online

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banking accounts and digitally sign documents using their handsets. The system is based on BankID, the electronic identity system used by a consortium of nine Swedish banks, as well as the government and other companies, and two million people. (Source date: 19th April, 2010)

Ukash introduces prepaid virtual MasterCard card

Ukash has launched a virtual prepaid MasterCard card, which enables customers across Germany and the UK to shop online using cash anywhere MasterCard is accepted. Dubbed Ukash Neo, the card provides a proposition for targeting the unbanked and cash markets and also functions as a universal gift card. With Ukash NEO, customers can spend up to £200 at online retailers in the UK, while in Germany the maximum value for the card is EUR 200. (Source date: 21st April, 2010)

Payments Council and Accenture launch authentication evaluation tool for banks

The UK Payments Council has teamed with Accenture to launch a modelling tool designed to help banks and businesses select authentication technologies for securing online customer interaction. The £500 tool, which can be loaded onto PCs, identifies the best suited authentication option based upon specified requirements, claim the partners, helping firms to navigate the wide range of options on the market. (Source date: 22nd April, 2010)

Market News and Views

Monitise reaches two million customers

Monitise has reached over 2 million registered users for its services in the UK and the US, as a consequence of the increased deployment of its smart phone applications. Monitise's Mobile Money Manager platform is being used by over 240 banks and financial services provider from the US and the UK market. In the UK, Monitise has formed partnerships with retail banks including HSBC, Lloyds TSB, First Direct, NatWest, Royal Bank of Scotland, and Ulster Bank. In the US, Monitise Americas provides mobile banking and payments services to over 200 financial institutions including banks, credit unions and prepaid card issuers. (Source date: 17th April, 2010)

Man builds Lego ATM

An American man has built a working cash machine out of Lego, tapping the toy firm's NXT programmable robotics kit. The ATM, made entirely from Lego and a HiTechnic IRLink and Codatex RFID sensor, can be used for cash withdrawals and to make change, dispensing notes and coins. It includes a fully functional numeric keypad, a banknote scanner that can be calibrated to accept any currency and a note separator. The 22 pound machine took Ron McRae four months to build and program, incorporating around 8000 pieces and 1800 lines of NXC code. (Source date: 19th April, 2010)

Characteristics of successful new payment products

Fiserv, Inc. has released research about the nine characteristics that are the hallmarks of a successful new payments product:

- 1. All electronic - from initiation, to settlement, to statements, any new payment product must be completely electronic.
- 2. Ubiquitous - new payment products must work everywhere, all the time.
- 3. Intuitive - if users can't immediately and intuitively figure out how to use it, the payment product is doomed to fail. Any successful new payment product must be easy to use.
- 4. Secure - successful new payment products will include two-factor authentication, end-to-end encryption, firewalls and smart compartmentalisation of data.
- 5. Easy - users don't want to have to remember their account number or credit card number. Successful new payment products will have easy to remember account codes - such as a mobile phone numbers that consumers already know.
- 6. Informative - payment data will be delivered automatically as part of completing the payment.
- 7. Interactive - using any new form of payment should be highly interactive - and fun.

- 8. Always on - consumers don't want to wait for an application to download or to be directed to a web-site more than once. Successful new payment products will have single keystroke or touch access.
- 9. Customisable - allowing the user to completely customise the payment application, whether it be changing the graphics on the screen or adding their own sounds for alerts, new payment products will let the user create the experience they want.

(Source date: 21st April, 2010)

Digital Money

Banks should focus on m-commerce now

Independent technology analyst Ovum has released a report urging banks to switch their focus from contactless payment to m-commerce in the short-term. Ovum says we are on the cusp of a mobile payments boom; a “golden opportunity” financial institutions cannot afford to pass up. In the report, Ovum points out that conditions are right for m-commerce to take off, i.e. both retailers and mobile operators want to use the technology to boost revenues. Furthermore, Ovum argues that m-commerce can act as a “gateway” to other contactless payment methods that “cannot be tapped in the short term.” (Source date: 28th April, 2010)

Outsourcing, Acquisition and Deals

Visa agrees \$2bn CyberSource acquisition

Visa has agreed a \$2 billion deal to buy online payment and security company CyberSource. The two firms have entered into a definitive agreement that will see Visa pay \$26 per share, a 34% premium on Tuesday's closing price of \$19.44. Visa says the acquisition will boost its e-commerce strategy, increasing the use of its cards online and help it offer best-in-class fraud management. The firm also believes CyberSource will help it take advantage of the emerging mobile e-commerce market.

In addition, the acquisition will help Visa market the new Rightcliq online shopping tool that provides users with a centralised location to store and manage their e-commerce activity in a bid to make it easier and safer. (Source date: 21st April, 2010)

Barclaycard to bring contactless payment to Wembley Arena

Barclaycard has bought naming rights for London's Wembley Arena for the next five years in a deal that will allow the company to install contactless payment points throughout the music venue. The venue will now be called, “Wembley Arena, a Barclaycard Unwind Venue,” a name which refers to the company's music rewards program, accessible at Barclaycardunwind.com. Barclaycard customers will also receive “preferential access” to concert tickets. (Source date: 29th April, 2010)