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Savantor's Views

Change is in the air again

Change. There is a lot of it about, what with iPads, new Governments, bigger TV's and lest we forget - new banks coming into the market at a time of apparent growing customers disenchantment with long-established high street banking brands.

We're apparently all longing to buy an iPad, but what is it for? I'm probably missing the point but what does it really do that laptops don't? Oh and if you want mobile internet access on it you better be prepared to pay because Apple has designed it so you cannot use your mobile sim or mobile broadband dongle with it. You need to buy a specially designed sim that only works with the iPad.

With the World Cup coming we're all being told we need at least a 50 inch TV which has to be HD or we will be unable to experience the full majesty of England going out on penalties. As far as I can see we had HD years ago – it was called a contrast button!

The shake-up in the banking market following the recession has attracted a host of potential new entrants, including Metro Bank, Virgin, Tesco, Walton & Co and Home & Savings Bank. However, the long wait for FSA approval and the large investments required to gain a foothold have held up the charge. So now the OFT will hold a review. The review will look at regulatory issues, ease of access to payment systems and credit risk information, barriers to achieving scale such as developing branch networks and customer inertia, and barriers to exit.

Interestingly a recent report by Citigroup analysts pinpointed funding as the principal barrier for new entrants and noted that the six biggest lenders appeared to be emerging from the credit crunch stronger than ever. Like iPads and HD TV – the more things change the more things seem to stay the same.

Products and Initiatives

Polish bank deploys biometric ATM

Polish financial services provider BPS SA Bank has installed a biometric cash point that allows customers to access their accounts and withdraw funds via fingerprint-based authentication.

The new ATM deployed by the Polish bank includes a system which scans blood vessels in users' fingers. The "Finger Vein" technology was initially developed by Japanese company Hitachi, while German IT retail banking services provider Wincor Nixdorf adapted it for use in bank machines.

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BPS has also announced plans to install more biometric ATMs within its network of branches throughout Poland. (Source date: 18th May, 2010)

Social lending site Yes-Secure UK launch

UK-based person-to-person lending market is set to widen with the launch next month of a new online lending facility Yes-Secure. The newcomer says it will incorporate social networking into the process, allowing lenders and borrowers to forge relationships with each other in a similar way as Facebook and LinkedIn. Members can invite friends and family members to join their list of 'network connections' on the site where they can then lend securely to each other and interact via a chat facility and message forum.

YES-secure.com will enable lenders to lend as little as £10 to £25,000, with the maximum lending to one person being £500 to reduce the risk of borrower defaults. However, if the borrower is on the lender's list of network connections, the lender can lend higher amounts. The company says it expects rates will be typically between 7% and 15%. Consumers signing up to the site will be credit checked using CallCredit and will also be given a reliability rating so that lenders are aware of the individual borrower's creditworthiness. Borrowing from practices used to rate sellers on eBay, the larger a user's network, the higher the individual will score on a Yes-Secure 1-5 star reliability index. (Source date: 21st May, 2010)

MasterCard to open developer portal

MasterCard is to release Open APIs for third-party and independent software developers around the world in a bid to create a new wave of e-commerce and mobile payment applications. The new Open API program is the first initiative from the newly created MasterCard Labs. The card scheme says it will provide developers with technical documentation, software development kits, sample source code, reference guides, and "virtual sandboxes" for testing new applications. A developer forum designed to spur collaboration between MasterCard engineers and developers will also be set up. The move follows similar initiatives by PayPal and Google, which have tapped into the inventiveness of the worldwide developer community and spurred the creation of multiple new payment programmes. (Source date: 25th May, 2010)

Market News and Views

US Senate votes to curb debit card interchange fees

The US Senate has voted to give the Federal Reserve powers to regulate debit card interchange fees, handing a victory to merchants in their long-running battle with Visa and MasterCard. Senators voted 64 - 33 in favour of the amendment which is designed to reduce the fees charged by Visa and MasterCard by asking the Federal Reserve to ensure they are "reasonable and proportional". It also allows merchants to offer discounts for customers to use competing networks and for paying by cash or cheque. (Source date: 18th May, 2010)

Banks warned over World Cup fraud risks

This summer's World Cup could leave banks struggling to protect themselves and customers against card fraud, as a surge in unusual transactions throws off risk scoring mechanisms, claims Actimize. Banks see sharp increases in fraud during large one-off events such as the World Cup and Olympics, says the security outfit, struggling to identify suspect transactions because of the statistical "noise" generated. Their advice is that Banks should amend their transactional risk scoring and anti-fraud processes so as to distinguish genuine suspicious activity across all customer channels - ATM, debit and credit card transactions as well as online transactions. The firm calls on banks to tap behavioural profiling to keep ahead of the scammers, using multiple scoring tiers and sophisticated analytics to identify high-risk transactions in real-time. (Source date: 19th May, 2010)

New UK banking entrants face lukewarm reception

The landmark opening of Metro Bank's first branch is expected early this summer, with Virgin Money, Tesco Bank and Walton & Co expected to follow suit. With critics blaming banks for the financial crisis and consumers fed up with 'fat cat' bankers, now should be a good time for a new bank to come into the market and win lots of customers. However, new research from uSwitch.com reveals that new entrants planning on challenging the banking heavyweights may still have their work cut out for them.

- 57% of banking customers are looking forward to having a real alternative to existing high street banks, but only 38% would consider moving their main current account to a brand new bank.
- 45% believe that new entrants will learn from the mistakes made by the traditional banks, but 31% are concerned that the new banks won't have enough knowledge or experience of banking and 11% wouldn't be confident that their money is safe
- 57% of people view the UK banking industry in a dim light - main criticisms are rubbish interest rates (73%), overcharging (74%) and penalising loyalty (61%) - all areas where new banks could win people over
- 66% of critics blame existing banks for the financial crisis while 76% are fed up with 'fat cat' bankers - but 51% of people think that new banks offer a fresh start while 37% say they will be innovative and will change banking for the better.

More importantly, the established players may be hampered by current negative consumer sentiment towards the banking sector. Just 14% of people trust their current bank completely while 39% trust their bank to a degree. 57% of people view the UK banking industry in a dim light with main criticisms centred on poor interest rates (73%), overcharging (74%) and penalising loyalty (61%) - all areas where new banks could win people over. (Source date: 19th May, 2010)

Retailer calls for US move to Chip and PIN

Wal-Mart is calling on the nation's banks to move to the EMV standard for securing financial transactions at the point-of-sale. Speaking at the annual forum of the Smart Card Alliance, Jamie Henry, director of payment services, Wal-Mart Stores says the supermarket chain rejects the idea of investing in 'band-aids' such as end-to-end encryption and tokenisation. He says Wal-Mart already has 100% of its payment system hardware equipped to accept EMV chip and PIN, and is finalising the software programs for these devices.

Speaking at the same conference, Dodd Roberts, president and CEO of the Merchant Advisory Group, called on payment industry stakeholders to come together to set a direction toward EMV in the US that does not require multiple stages of investment in interim solutions. US merchants are particularly concerned that international fraudsters will turn their attention to US shores as the EMV standard is rolled out in other markets. (Source date: 25th May, 2010)

Digital Money

Nice turns into mobile contactless city

Crédit Mutuel-CIC, Gemalto and NRJ Mobile have teamed up on what they claim is Europe's first commercial roll-out of contactless mobile payments services, in Nice. The partnership is part of a wider, government-backed, initiative by banks, telcos, transport operators and retailers called "Nice, mobile contactless city".

The project will enable people in Nice to use their NFC-enabled mobile phones to pay at restaurants, supermarkets and local stores, as well as in the city's transport networks. Information services will also be available at the museums and university campus. Users in Nice will take out an "NFC mobile pack" at their operator's points of sale, and activate the contactless payment service at their bank branch office. (Source date: 21st May, 2010)

Outsourcing, Acquisition and Deals

American Express enters RBS WorldPay battle

American Express has teamed up with UK private equity firm Permira to join the fight for the Royal Bank of Scotland's WorldPay payment processing business. Atos Origin has also entered the fray for the £2.5 billion rated unit, partnering PE firms CVC Capital Partners and Welsh Carson Anderson & Stowe. Around six bidders are still in the hunt for the business, which RBS is being forced to sell by the European competition authorities as a condition for joining the UK government's asset protection scheme. Moneris Solutions is in the running while four private equity bids - from CVC, TPG, Warburg Pincus and a joint effort by Advent International and Bain Capital are also on the table. Second-round bids are due by 31 May. (Source date: 18th May, 2010)