

market eye

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Savantor's Views

The next big thing never comes

Not so many years ago multi app cards were the next big thing. Then it was contactless, NFC, mobile payments, social networking and so on. The FSA has recently stated that financial firms must ensure they provide appropriate risk warnings when using new media such as social networking sites, blogs and forums to promote products and services. With banks increasingly turning to sites such as Facebook and Twitter, as well as smartphone applications, to promote their wares, the watchdog has reiterated that its rules focus on content not medium. Having looked at the comments on some of the bank sites it wouldn't be a bad thing if some of the contributors focused on content too.

In the card world you can also use Blippy on Twitter to tell all your 'followers' what you are using your credit card to buy. Personally I would rather stick needles in my eyes but I'm sure someone finds it useful. But there are some aspects of social networking sites which are worth noting:

- The average Facebook session lasts 35 minutes. Rather longer than most people spend on financial sites.
- The fastest growing group of users on Facebook is women over 50
- In April it was announced that PayPal is to introduce a service that will enable customers to make payments as small as \$.50 using debit and credit cards, aggregating the payments to make them viable.
- PayPal's new iPhone app was downloaded more than a million times in the first 3 weeks.
- Since Apple's app store was launched 2 years ago 185,000 apps have been developed and more than 4 billion downloaded.

And you wonder what happened to multi app cards?

Products and Initiatives

Visa CodeSure gets green light

Visa Europe has commercially launched its CodeSure system, which comprises a card with a display for generating one-time codes to authenticate online transactions. The Visa card features an alpha-numeric display and a 12-button keypad built into the back of a conventional credit, debit or prepaid card. The

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card, developed using technology from Australia-based Emue technologies, promises a three-year battery life, overcoming a potential stumbling block to such schemes in the past.

To validate a transaction when shopping on the Web or logging in to an online banking service, the cardholder activates the authentication process by pressing the "Verified by Visa" option button on the card's keypad. When prompted, they then enter their PIN into the keypad embedded in the card which prompts a unique one-time-passcode to appear on the display, which is then used to authenticate the transaction.

Since 2009 eight banks in countries throughout Europe, including the UK, Italy, and Germany, have piloted the system, with 86% of participants reassured about security. Most cardholders - 70% - also say they would use their cards for card-not-present transactions more often. Visa Europe has approved the technology for PIN generated one-time-passcodes for Verified by Visa payments at participating merchants globally, PIN-generated one-time passcode for online and telephone banking access, transaction signing for online e-banking services and access to third party services such as corporate virtual private networks. (Source date: 2nd June, 2010)

Citi ships shopping bargains app

Citi has launched an iPhone app that searches the Web for best value deals and promotions on goods at local retailers and national online merchants. The Citi Shopper app enables customers to browse deals and promotions at major local and online retailers. The app searches over one billion products ranging from electronics to fashion and compares prices across the Web. Users can view product details, availability and a map to the nearest location, and view the rewards and benefits available for purchases made with a Citi Card. Subscribers may also save products and promotions on a mobile shopping list to share with friends and family. The app is available for the iPhone, iPod Touch and iPad. (Source date: 9th June, 2010)

Market News and Views

MasterCard pilots debit card with display

MasterCard Europe has partnered with Turkish bank TEB to pilot a debit card containing a digital display window that can be used for authentication and to give customers account information. TEB, a BNP Paribas subsidiary, will hand over the 'display cards' to customers with a Maestro ecommerce authentication programme that kicks off in July. The cardholder can see information - numbers and/or text - on the display, such as a dynamic passcode, an account balance or spending limit.

TEB will initially launch a card with authentication functionality before adding more features. The Newcastle Building Society has also committed to the first pilot of the balance display functionality later this year. (Source date: 3rd June, 2010)

European Prepaid market expanding rapidly

Research commissioned by MasterCard shows the value of the European open loop pre-paid card market is expected to see an average annual increase of 26% between now and 2017, when it will hit \$156 billion. The research, conducted by Boston Consulting Group, predicts that the UK will remain the largest market for prepaid cards in Europe, accounting for 25%, with Italy making up another 20%.

According to the research, however, it is the less economically developed, cash based prepaid markets within Europe that will see the highest rates of growth between now and 2017, as they increasingly adopt pre-paid. For example, the value of the Nordic market is expected to increase by an average of 44% annually to reach \$9.3 billion and the Central and Eastern European region by 42% each year to reach \$10.1 billion. The adoption of pre-paid by governments in Europe is a key driver in boosting the size of the market, reaching \$43 billion by 2017, with \$18 billion of this expected to stem from the UK public sector. The research also finds the roll out of pre-paid by corporates will grow rapidly, with their replacement of lunch vouchers apparently worth \$8 billion by 2017. (Source date: 3rd June, 2010)

PayPal taking more online shoppers in Italy

PayPal has reached 4 million Italian users, accounting for 60% of online shoppers, according to data collected by the Milan Polytechnic. PayPal is the second most popular online payment method in Italy, with a 13% market share so far in 2010. The Italian e-commerce market grew 16% in the first quarter and the estimated growth rates for 2010 are set at over 15%, with an increase on orders of more than

21%. The total turnover of digital shopping in Italy is worth nearly EUR 13 billion, with around 70% generated online, 24% coming from digital television and 6% from mobile. (Source date: 14th June, 2010)

UK retailers urge government to step in over card fees

Retailers are calling on the new UK government to intervene and force banks to cut the "unjustifiably high" interchange fees they charge for card payments. The British Retail Consortium (BRC) claims an average cash transaction costs retailers 2.1 pence compared to 8.5 pence for a debit card payment and 34 pence when a customer uses a credit card.

The group, which bases its figures on over seven billion transactions in 21,500 shops, says that if charges for every payment method were as low as they are for cash, over £480 million in cost savings would be passed on to customers through lower shop prices. The retailers are also "seriously concerned" that inflated debit card charges will be the norm for emerging contactless and mobile payment methods which are expected to eat into cash usage for low value transactions over the next few years. The BRC figures show that cash was used for 58% of all transactions in 2009, up from 56% in 2008. In terms of money spent, 32% of all retail spending was done with cash in 2009, compared to 33% in 2008 and 34% in 2007. (Source date: 15th June, 2010)

Digital Money

CPI and Inside Contactless introduce MasterCard PayPass sticker

CPI Card Group and Inside Contactless have introduced a next-generation, MasterCard-approved payment tag that enables any mobile device to be used to make payments anywhere using MasterCard® PayPass™. Containing all the functionality of a traditional MasterCard PayPass credit, debit or prepaid debit card, the new sticker is based on INSIDE's MicroPass 4003 contactless payment processor and manufactured and pre-personalised by CPI Card Group.

A new, advanced adhesive backing not only adheres to mobile phones better, but also allows the sticker to be removed and reapplied multiple times without losing its grip. A shielding design improves performance by protecting the chip and antenna inside the sticker from interference that might be caused by a mobile phone's signals and metallic materials. The sticker solution is highly scalable to millions of units per month since traditional card manufacturing and personalisation systems are utilised. (Source date: 1st June, 2010)

Citi rolls out contactless payments stickers

Citi has begun offering customers contactless payments stickers for mobile phones. Citi has rolled out the option for customers who request it via the bank's Web site, using the tag-line: "The back of your phone just became its coolest feature". The Citi payment tags, supplied by Oberthur Technologies, enable customers to make payments of up to \$50 at the point of sale at MasterCard PayPass readers. It is linked to customers' Citi credit card accounts with purchases appearing on monthly statements. (Source date: 10th June, 2010)

Outsourcing, Acquisition and Deals

ACI forms partnership with Integrated Research

ACI Worldwide has announced that it has entered into a strategic partnership with Integrated to jointly offer ACI Payment Service Management powered by PROGNOSIS for ACI's BASE24 and BASE24-eps payment processing environments.

This partnership introduces payment service management, which aligns the IT services of payments with the payments line-of-business, helping business and operations personnel understand how the financial institution's payments business is performing at every level. The service provides increased and correlated visibility into the payments business through in-depth monitoring and analysis of transactions, applications, supporting IT infrastructure, and payments devices. (Source date: 7th June, 2010)

Citi to sell Canadian MasterCard business

Citi has agreed to sell its C\$2.1 billion Canadian MasterCard credit card portfolio to CIBC as part of an ongoing effort to shed non-core assets. Financial terms were not disclosed. The deal, expected to close by 31 October subject to regulatory approvals, will make CIBC the largest dual credit card issuer in Canada. Citi has already sold its Diners Club North America card business to Bank of Montreal (BMO) and its Italian and Portuguese credit card businesses to Barclays in the last year as it seeks to streamline operations. (Source date: 15th June, 2010)