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## Savantor's View

### Contactless seems set to dominate in 2016

We are only two weeks into 2016 and the topic that has dominated announcements in the payments world more than any other is contactless.

The UK Cards Association (UKCA) and the Department for Transport (DfT) has just published a national framework for contactless journeys across the UK. The framework enables transport operators across the country to implement contactless payments on local pay-as-you-go journeys and provides a consistent experience for travellers.

Further funding has also been announced by rail operators for a joint project between the card and rail industry to explore how contactless cards and devices could be associated with long-distance train tickets or season tickets, so passengers no longer have to print out tickets.

The framework should also help with the development of the recently announced business case for introducing contactless bus travel across the country, which should be completed by late spring 2016.

The emphasis on introducing contactless is not restricted to the UK; the Governor of New York has announced that there will be a focus on introducing contactless technology for the payment of subway and bus travel in the city, with the objective that travellers will be able to pay for their fares using this method by 2018.

Visa announced that in December more than a million journeys on the London underground were paid with a contactless Visa card. This is on top of the latest figures released by the UK Cards Association, which show that contactless card transactions now account for one in 10 card payments, the first time the milestone has been passed.

The statistics show that there were 120.5 million contactless card payments in October in the UK, meaning that 10.3% of all card transactions were made using contactless. This has risen from 3.7% a year ago. The average value of a contactless payment also increased slightly to £7.72, up from £7.35 in September when the limit for a single payment rose to £30.

It looks likely that we can expect to see contactless build on its success last year and continue its impressive growth in 2016.

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## Products and Initiatives

### ***UK bus operators develop contactless business case***

Five of the UK's leading bus operators - Stagecoach, First Bus, Go-Ahead, Arriva and National Express - are working together to produce a business case for the development of contactless travel on buses. The plan is expected to be completed by late spring 2016.

The scheme, funded predominantly by the private sector, could see new EMV contactless technology installed on every one of the UK's 32,000-plus buses outside London. It would offer cashless travel for those who want it and capped pay-as-you-go-fares in all urban areas.

Contactless transactions are already accepted on London's 9,600 buses; the new project is intended to complement that scheme, covering more than 1200 bus operators in England, Scotland and Wales, and making contactless travel available for 5.2 billion bus passenger journeys a year across Britain.

Associated government legislation would be needed to ensure all individual bus operators would offer contactless ticketing. (Source date: 15 January 2016)

### ***HSBC to issue corporate contactless credit cards***

HSBC is to issue contactless credit cards to its 575,000 Business Credit and Corporate Credit customers in the UK, giving them an insight into sub-£30 purchasing spend on their accounts. The bank says the cards will allow businesses to better manage their cashflow while offering greater visibility and control by allowing them to better track and report on smaller purchases.

Businesses will also use contactless payments for procurement and employee expenses, and to improve efficiencies in keeping corporate and personal spend separate, says the bank. The new functionality will complement other contactless card facilities offered by HSBC, including Business Debit Cards, which saw a 300% increase in contactless usage in 2015. (Source date: 15 January 2016)

### ***Framework published for contactless travel in the UK***

The UK Cards Association (UKCA) and the Department for Transport (DfT) have published a national framework for contactless journeys across the UK. The framework enables transport operators across the country to implement contactless payments on local pay-as-you-go journeys, including single trips, such as a bus journey, or combined travel on more than one type of transport.

The UK Cards Association says that the framework sets out how contactless payments can be used to support any journey, whether a single bus ride or a cross-country trip. (Source date: 13 January 2016)

### ***Maybank launches contactless wristbands***

Customers of Malaysia's Maybank can now make payments using NFC wristbands developed by the bank in association with Visa. The smart wrist band uses Visa's PayWave technology to enable contactless payments at more than 1000 locations across the country. The Maybank PayBands follow the PayWave microtags previously issued by the bank for customers to stick to their mobile phones for contactless payments.

According to Visa there are now over 2.5 million Visa payWave cards in circulation in the country, with a year-on-year growth of 250% in payment volume as of November 2015. The company expects the wristbands will be particularly attractive for consumers visiting cash-hungry outdoor events and theme parks. (Source date: 8 January 2016)

### ***Orange looking to expand into banking***

Telecommunications company Orange is looking to diversify into financial services by acquiring a 65% stake in France's Groupama Banque with a view to opening a mobile-led bank in 2017. The launch of 'Orange Bank' is planned for the start of 2017 in France, followed by other European markets such as Spain or Belgium. The services offered will cover all standard banking products as well as savings, loans and insurance services.

The stake in Groupama Banque will enable the mobile operator to benefit from an existing operational infrastructure and a high street presence combining its own storefronts with the branch network of Groupama and its subsidiary Gan. A spokesman for the Company says the ambition is to reach EUR400 million of revenues in financial services in 2018.

Orange has already dipped its toes into financial services with the operation of the Orange Money wallet in the Middle East and Africa region, and more recently with the launch of 'Orange Finance' in Poland. (Source date: 5 January 2016)

### ***MasterCard and Samsung unveil pay-by-fridge***

MasterCard and Samsung have partnered to develop an app that enables consumers to order groceries direct from the Korean electronics firm's new range of smart refrigerators. The first shopping app integrated into a refrigerator, the Groceries app will come preloaded in Samsung's Family Hub fridge, which will be available from May this year.

At launch, US consumers will be able to order their shopping from online grocer FreshDirect and supermarket co-operative ShopRite. Items are added to a cart and the final shopping list is approved with a 4-digit pin entry on the fridge's embedded touch screen pad. Payment can be made with any US-issued debit and credit cards.

MasterCard has also developed a companion mobile app for Groceries, which allows multiple members of a family to add to a single cart from a device of their choice.

As the rollout continues in 2016, additional outlets will be added through MasterCard's partnership with MyWebGrocer, which provides e-commerce and digital marketing services for more than 130 grocers across the globe and over 500 major consumer packaged goods brands. (Source date: 5 January 2016)

## **Market News**

### ***Visa contactless tube journeys hit million a day milestone***

In a single day last month more than a million journeys on London's tube were paid for with a contactless Visa card.

In the month of December, Visa also saw a 166% annual increase in the total number of contactless journeys by people who used their card to pay as they travelled, and a total spend for the year of £339 million – seven times growth in total spend for the year.

The company says that it expects to see usage grow, particularly with the growing popularity of wearables like bPay and the Apple Watch, as well as the uptake of mobile NFC payment services. (Source date: 14 January 2016)

### ***New York subway and buses to go contactless in 2018***

From 2018 travellers will be able to pay for New York subway and bus journeys with their contactless bank card or mobile phone. The Metropolitan Transportation Authority (MTA) first began testing contactless payments for subway users back in 2006, teaming up with MasterCard and Citi on a pilot. Ten years later, the Governor of New York is promising to accelerate the technology's roll out as part of a wide-ranging overhaul of the MTA.

Subways and buses will start using contactless payment methods in 2018. In addition, mobile ticketing on the Long Island Rail Road and Metro-North Railroad will be fully introduced by the end of the year, giving train customers the ability to buy tickets on their mobile devices. Train customers who also use subways and buses will be able to pay their fares using a single app and a single transit account from next year. (Source date: 14 January 2016)

### ***HSBC online systems outage***

HSBC experienced serious online system problems at the beginning of the New Year, which continued for two days before finally being rectified. Up to 17 million personal and business customers were locked out of their accounts for up to nine hours on 4 January, with the problems continuing to hit online and mobile banking services throughout the following day.

The HSBC chief operating officer took the unusual step of posting a video on Twitter to apologize for the two days of disruption to services.

The Bank has still not given a precise explanation as to what went wrong, blaming the problem on a complex technical issue within its banking and mobile systems. It said that no one's personal data was put at risk during the failure, and that all customers would be compensated for losses caused by it. (Source date: 7 January)

### ***UK banks accused of weak login page security***

More than half of banks and building societies in the UK are leaving their online customer login pages vulnerable because of insecure SSL instances, according to security experts at Xiphos Research.

Of 22 UK-owned banks, half were found to have insecure SSL instances, while 51% of 37 building societies also had issues, and more than three quarters of foreign-owned operations were found to have problems.

Apparently Xiphos is not naming and shaming the offending institutions because since carrying out the research in November it has struggled to contact and warn them. The firm approached the Financial Conduct Authority for help, only to be rebuffed because of "security reasons". The UK National Crime Agency has also been informed. (Source date: 7 January 2015)

### ***Appetite for cash remains strong as ATM usage soars***

According to data from analysts at RBR, global ATM cash withdrawal volumes grew by seven percent in 2014 with a total of 92 billion withdrawals made. Growth in the number of ATMs was even higher, and the global installed base passed the three million mark.

The upsurge in usage was most evident in the Asia-Pacific and Middle East and Africa regions - in many developing markets ATM uptake is growing at a far greater pace than machine deployment. In more mature markets, however, ATM usage levels are stagnating or even declining, but all regions except North America saw growth in the total volume of withdrawals.

Globally, the increase in ATM usage is forecast by RBR to outpace the growth in the installed base of ATMs between 2015 and 2020, to reach 128 billion, indicating that the appetite for cash remains strong. (Source date: 5 January 2016)

### ***UK banks offer basic bank accounts for unbanked***

Up to nine million consumers stand to benefit from the launch by nine major UK banks of fee-free basic accounts. The accounts will be available to anyone who does not already have a bank account, is ineligible for a standard current account or who is unable to use their existing account due to financial difficulty.

The 1 January launch follows the landmark agreement between the government and the banking industry just over a year ago to establish new basic bank accounts that will end bank charges if a direct debit or standing order fails. The changes will remove the risk that basic bank account customers will be forced into overdraft due the imposition of usurious financial penalties.

Basic bank account customers will now also be offered services on the same terms as other personal current accounts that the banks provide, including access to all the standard over-the-counter services at bank branches and at the Post Office, and access to the entire ATM network. (Source date: 4 January 2016)

## **Mobile Money**

### ***CaixaBank launches mobile-only bank***

Spain's CaixaBank is launching a mobile-only bank in a bid to target the youth market. The new imaginBank offers a mobile app and a suite of services designed to plug into social networks and popular chat networks, including Facebook and WhatsApp. Customers will be able to interact with the bank over Facebook without having to leave the social network and can also contact customer services operatives using Twitter, and through an embedded chat line.

The full network of CaixaBank ATMs will also be available to imaginBank subscribers. (Source date: 14 January 2016)

### ***Dubai announces mobile phone number-based payments system***

People in Dubai will soon be able to make instore and online payments using their mobile numbers. Backed by the Dubai Smart Government (DSG), a project this year will see the technology of Quisk Middle East integrated into the UAE-wide POS merchant network of Network International.

The cloud-based Quisk system uses mobile phone numbers and a secured PIN to create and access a new type of digital cash account. Users do not need smart phones or mobile operator services, simply

entering their details at checkout, instore and online, including to pay bills and access government services. (Source date: 13 January 2016)

### ***Costa Rican bank to implement facial recognition***

Banco Nacional of Costa Rica is to authenticate clients logging in to mobile banking with face recognition technology from Spanish biometrics company FacePhi. The Costa Rican bank will roll out the technology to mobile customers in the second quarter. A second phase of the programme will see the face recognition tech expanded to the bank's online services.

The contract marks the seventh financial institution to sign up for FacePhi's technology.

The use of biometrics to eliminate the need for password entry is gaining ground in the financial services sector. MasterCard is currently running two pilots in the US and the Netherlands, to test the use of facial recognition technology for payment verification. (Source date: 12th January 2016)

### ***MasterCard partners Coin for wearable payments***

MasterCard is looking to bring payments to a wide array of fitness bands, smart watches and other wearable devices through a partnership with consumer electronics and financial software startup Coin. Atlas Wearables, which designs advanced fitness trackers, Moov, a personal fitness coach on your wrist, and Omate, maker of fashionable smartwatches, are the first set of companies working with MasterCard and Coin to implement payment technology in their products.

The move follows MasterCard's announcement in October of an extension of its Digital Enablement Service (MDES) to turn any consumer gadget, accessory or wearable into a tokenised payment device.

Coin will provide hardware and software technology that is integrated with MDES, providing a simple, financially compliant backend integration layer for manufacturers to quickly embed payment functionality into their consumer products. (Source date: 6 January 2016)