



This is a high-level industry news and business intelligence update bulletin. For further information on any of the items contained within the bulletin or to discuss the potential impact of these items on your business, please contact Savantor on info@savantor.com.

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Savantor's View

The evolution of high street banking

Reducing staff and the closure of bank branches is a theme which has seemed to be prevalent throughout the past month. This is not limited to the UK market with cuts announced by both Santander in Spain and DNB in Norway as well as RBS in the UK. This is a theme which has been prevalent throughout 2016 so far, with RBS, for example, announcing the loss of almost 1,600 jobs this year to date and Lloyds also cutting 1,750 jobs and 26 branches as part of a 3-year plan.

Whilst there are many reasons behind the closures, ranging from automation and better technology to reduced customer footfall in branches, this is a trend which seems likely to continue as Banks, particularly the high street institutions, review their strategies in the light of current market and customer behaviour changes and the resulting impact upon profitability.

This month also saw the launch of the first digital-only bank in the UK. Atom Bank will initially be offering loans and savings accounts but is intending to follow this with a current account later this year; the Bank will no doubt hold particular appeal for many 'techno-savvy' customers who are comfortable with their mobile phone being the instrument of choice for conducting payment activity. New entrants of this kind into the financial services arena are likely to make it even more difficult for traditional banks to survive in their current format.

We are in the midst of a fast moving environment which, whilst it unfortunately and inevitably has casualties in its development and restructuring, is nevertheless exciting to watch and be part of as it morphs and moves forward. Who would have thought, a couple of years ago, that Barclays would be considering offering a bank branch 'Click and Collect' Service for Amazon in an attempt to establish a new function and increase footfall for the local bank branch?

Products and Initiatives

Japan to trial tourist pay-by-fingerprint programme

Japan is embarking on a trial of technology that will enable tourists visiting the country to pay for goods and services using only their fingerprints, according to local press reports. The government-led pilot will see tourists visiting popular places such as Hakone, Kamakura and Yugawara in Kanagawa Prefecture this summer register their fingerprints and credit card information at the airport.

As a result, at around 300 venues - stores, restaurants and hotels - the visitors will be able to make

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payments by scanning two fingers on readers, eliminating the need to carry cash and cards. The plan is to gradually expand the service so that it is in place across the country by 2020, when an influx of tourists is expected for the Olympic and Paralympic Games in Tokyo.

According to The Yomiuri Shimbun newspaper, a government-led body will collect user data to map movements and spending habits, which will inform tourism policies. (Source date: 11 April 2016)

Barclays considers 'click and collect' services

Barclays Bank may have found a novel new use for its network of bank branches - as a click and collect delivery site for Amazon parcels. The bank has been trialling delivery lockers across sites in London as a means to increase footfall in branches. If successful the plan could be extended across the Barclays network of 1500 high street outlets.

In December, the bank released research which suggested that click and collect deliveries were expected to grow three times faster than home deliveries by 2018, with 43% of retailers investing in click & collect as a delivery option. (Source date: 11 April 2016)

Nationwide explores biometric alternative to passwords

Nationwide is exploring how behavioural biometrics could provide an alternative to passwords for consumer logins from mobile devices. The UK building society is working with BehavioSec and Unisys on a prototype that monitors the unique features of an individual's actions and interactions with their mobile phone or tablet - from the way that they type to how they touch and swipe between screens, and even the way the phone or tablet is held.

The initiative comes as Nationwide releases new research which shows that the average UK consumer now has to remember six different passwords, while a quarter have over 10 passwords memorised. More than 70% of the 2000 Brits surveyed admitted that they struggle to remember their passwords, and on average have to click 'forgotten password' links twice a month. (Source date: 11 April 2016)

Barclays backs UK launch of social payments app

Social payments outfit Circle - which enables sterling, dollar and bitcoin money transfers across popular messaging platforms and other media - has launched in the UK with the support of Barclays Bank and an e-money issuer license from the Financial Conduct Authority.

With the UK launch, Circle says UK consumers can now send and receive cross border payments with instant conversion between pound sterling and US dollars with zero fees. For payments transferred to countries where Circle hasn't yet launched, the company uses the bitcoin blockchain to transfer currencies in and out of the national denomination.

Barclays Corporate Banking is providing the account that Circle needs to store sterling for consumers, and the backbone processing for transfers from any UK bank account in and out of Circle.

Circle's entry into the UK has been welcomed by treasury minister Harriett Baldwin, who describes Circle's decision to launch in the UK and the firm's new partnership with Barclays as 'major milestones.' (Source date: 6 April 2016)

Market News

European Parliament to host blockchain conference

The European Parliament is to host a four day conference on virtual currencies and blockchains with the objective of educating MEPs about the fast-growing world of distributed ledgers. The non-commercial exhibition will bring together representatives from the World Bank, IMF, OECD, Bank for International Settlements, United Nations and Europol, along with academics, central banks, established companies and startups.

Although the hype surrounding bitcoin has died down, enthusiasm for its underlying distributed ledger technology continues to grow, with financial services firms around the world looking to harness it for a host of applications, posing questions for lawmakers. To help MEPs get to grips with the issues, next week's conference will see roundtable discussions and presentations from several of the attendees, including the IMF, Nasdaq and Blockchain.info. (Source date: 15 April 2016)

RBS to cut 600 branch network staff

Royal Bank of Scotland is once again reducing its branch network by cutting 600 jobs, shutting down 34 high street locations and reducing opening hours in hundreds more. The latest round of redundancies bring the total number of jobs cut by the bank to 1500 this year, with the majority taking place in the retail division.

Like many of its peers, RBS is struggling to make its large network of branches pay as more customer go online and bank via mobile. It has experienced a 50% drop in footfall over the past six years, while the number of people transacting online has grown fourfold. (Source date: 14 April 2016)

EPC launches public consultation

The European Payments Council is launching a public consultation on plans for a pan-European instant credit transfer scheme. Set to launch in late 2017, the SEPA Instant Credit Transfer (SCT Inst) scheme promises to enable people to transfer up to EUR15,000 within 10 seconds, any hour of any day of the year, across borders between accounts in any of 34 SEPA countries.

The public consultation on the SCT Inst rulebook - which describes the business and technical rules for PSPs joining the optional scheme - will run until 10 July, with payment stakeholders including PSPs, as well as end users and technical players, encouraged to offer their views.

The decision to build an instant payments scheme comes in response to concerns that the emergence of new domestic platforms, such as the UK's Faster Payments scheme, might end up creating a fragmented market in Europe, similar to what existed in regular payments in the past. (Source date: 12 April 2016)

Alipay to expand into Europe

It was announced at the Money2020 conference in Copenhagen that Alipay is to expand into the European market, with the objective of making it easier for Chinese tourists to interact with Western merchants when transacting overseas. In 2014, 117 million Chinese tourists travelled abroad spending \$165 billion. This is forecasted to reach 234 million tourists by 2020, offering a vast opportunity for European retailers to connect to a new consumer base.

In its home market, Alipay currently claims 450 million active users, and more than 200 financial institution partners. The company owns more than 50% of the market share in online payment and 80% in mobile.

Alipay says the business opportunity is currently focused on the UK, France and German markets as these are the most popular destinations for Chinese tourists to shop, both online and offline. (Source date: 6 April 2016)

Santander to close 13% of Spanish branch network

Banco Santander is to close up to 450 of its 3467 branches in Spain this year as it seeks to accelerate the move to cheaper digital channels. It is not yet known how many jobs will be lost. Another 350 branches will undergo makeovers, getting new ATMs that carry out more transactional services, freeing up staffers for advisory work.

Santander has a plan in place to save EUR3 billion by the end of 2018, in part by doubling the number of customers who deal with the bank digitally rather than through its massive and expensive branch network. (Source date: 5 April 2016)

Nationwide withdraws support from V.me

Nationwide became the first UK financial institution to roll out V.me for online shopping in November 2013. V.me lets registered users make secure online payments to participating merchants with just a username and password, removing the hassle of having to enter card account number, bill-to and ship-to information for every transaction.

At the time, Visa boasted that banks representing 80% of all consumers were already committed to the programme, and that by 2020 one-third of all European consumers would be using the wallet. Two years on, Visa Europe has dropped support for V.me in favour of a rebranded proposition from Visa Inc, Visa Checkout, causing Nationwide to withdraw support from the service with effect from the end of this month. (Source date: 23 March 2016)

DNB to cut 600 staff in branch closure programme

Norway's DNB is to cut 600 staff and close more than half of its remaining bank branches, saying that almost all of its customers now interact with the bank through digital channels. The Norwegian bank says the pace of the digital banking revolution is much faster than envisaged just two years ago; it has already shed 200 branch staff through natural attrition in 2015 after seeing over-the-counter services decline by 82% in the last two years. (Source date: 18 March 2016)

Mobile Money

Mint makes mPOS deal with Singapore's Nets

Singapore's national payment system Nets is to enter the mPOS business through a partnership with Australia's Mint Payments. Under the five-year deal, Mint will receive upfront implementation and hardware fees, a recurring monthly fee from each merchant using the Nets-branded system and a share of all transaction fees.

The deal follows an agreement between Mint and Asian Business Software Solutions two months ago to distribute, license and integrate the Australian firm's payments services with ABSS' MYOB products. Under the new arrangement, Nets will acquire ABSS' merchants and run the transactions through the Nets gateway for both card present and card not present.

Nets says that the integration with MYOB Asia's accounting system will lead to improved collection services and give a wider range of payment options offered by merchants, automating the accounts receivable process. Shares in Mint jumped nine percent on the Australian Stock Exchange as investors reacted positively to the firm's expansion into the Asian marketplace. (Source date: 12 April 2016)

Mobile start-up Atom Bank goes live

Atom Bank, the mobile-only startup that uses face and voice biometrics plus machine learning technology to service consumers, has gone live in the UK following the lifting of regulatory restrictions. The Atom app will initially be made available to everyone who has pre-registered their interest through the new bank's website, available now for iPhone and iPad users, with an Android version to follow shortly.

The challenger bank was first granted a restricted licence in June 2015. With the restrictions now lifted, Atom launches with a package of fixed term savings for consumers and secured lending to SME businesses. By the end of 2016, Atom promises that customers will have access to fixed savings, current accounts, overdrafts, debit and credit cards, instant access savings and residential mortgages, all serviced via the app.

Face and voice biometrics are used to log-in to the app, with machine learning technology being used to guide its Customer Support Team. Ultimately, Atom plan to integrate the technology into its banking app, giving customers the ability to query the app direct. (Source date: 6 April 2016)

Barclays introduces support for Apple Pay

Barclays Bank has finally joined the rest of the UK's biggest banks in introducing Apple Pay support. The introduction of Apple Pay for Barclaycard and Barclays customers gives millions more UK consumers the ability to make payments using iPhone, Apple Watch and iPad at over 400,000 contactless locations in the UK, across the London transport network as well as when shopping within participating retailers' apps.

Barclays has yet to confirm support for the imminent launch of rival service Android Pay in the UK, preferring instead to go it alone with its own Barclaycard app which includes support for HCE-based NFC mobile payments. (Source date: 5 April 2016)

Mobile payments proving popular with NAB customers

National Australia Bank says uptake of its new mobile payment service is exceeding expectations, with 18,000 customers downloading the NAB Pay app in the first month after launch. The app is proving popular for purchases of lunch, coffee and snacks with a higher proportion of transactions at cafes, restaurants fast food and supermarkets when compared with contactless cards (60% of NAB Pay transactions vs 52% of Paywave). Apparently more than 150 customers are activating NAB Pay, every day.

NAB's experience should provide a boost to Google, which is working with ANZ, Westpac and other banks to launch Android Pay in Australia in the first half of this year. Rival service Apple Pay, meanwhile, continues to be cold-shouldered by the country's biggest banks in protest over Apple's demands for a slice of interchange revenue. (Source date: 5 April 2016)

UK embraces higher contactless spending limit

The UK's decision to up the contactless spending limit from £20 to £30 six months ago has proved popular, new figures from Visa show. Contactless transactions over £20 saw an average monthly growth rate of 19.1% between October 2015 and March 2016, double the growth rate of tap and pay under £20. In total, contactless usage between £20 and £30 now account for more than 10% of all face-to-face card transactions within that spending band.

Bars and pubs have seen a surge in contactless transactions in the £20 to £30 band. In supermarkets, where the average basket is £25, the data shows a 100% increase in contactless transactions compared to the six months before the £30 limit was introduced. Restaurants have enjoyed a similar boost as a meal for two has come more into range when paying this way - spend there has risen 155%.

Similarly, consumers have turned to contactless when filling up their cars at service stations. The average contactless transaction at the pump has increased by £2.22 since the £30 limit began, rising from £8.47 to £10.69. (Source date: 5 April 2016)

Swiss banks investigate joint mobile payments system

Switzerland's five biggest banks are talking to retailers and financial infrastructure provider SIX Group about a joint mobile payments service. Credit Suisse, PostFinance, Raiffeisen, UBS and ZKB say that they have embarked on talks about a system with retailers Coop and Migros as well as telco Swisscom, as they seek to compete against the likes of Apple, Google and Samsung.

Currently, the potential partners are part of two competing mobile money services. UBS, ZKB, SIX and Swisscom have rolled out their Paymit mobile payment service for online and offline transactions. Meanwhile, PostFinance has enrolled several other banks for its own Twint offering.

Work will continue on these two technologically different services but the various parties have also decided to investigate the creation of an integrated, standardised system that will be open to all comers. (Source date: 30 March 2016)

Samsung Pay takes on Apple in China

Samsung is entering the huge but competitive Chinese mobile money market, teaming up with China UnionPay to launch its payments service in the country. The launch means that Chinese owners of top-end Samsung handsets can link credit and debit cards from participating banks and make contactless payments by scanning their fingerprints.

Samsung has lined up nine banks for the launch and says that another six are onboard to add support in the near future.

The company is following Apple into China, which launched in the country earlier this year and also faces competition from local handset manufacturer Huawei, which has just rolled out its own NFC-based mobile payments service.

One advantage Samsung may have is that its service does not rely on NFC-enabled terminals, using magnetic secure transmission (MST) technology to turn existing mag-stripe readers into contactless receivers. This has helped Samsung Pay pick up impressive momentum in South Korea and the US, winning five million registered users and processing over \$500 million in transactions in its first six months. (Source date: 29 March 2016)

Apple to launch one-touch shopping for the mobile Web

Apple is preparing to bring one-touch online shopping to the mobile Web later this year, enabling consumers with Safari browsers running on Apple phones and tablets to use Apple Pay and TouchID to make a purchase. Apple has already introduced the one-touch feature to in-app purchases for iOS mobile apps, but the integration with Safari would extend the experience to conventional online shopping sites.

Apple will be competing directly with PayPal, whose One Touch payment system has experienced rapid adoption since it was first introduced ten months ago.

Cracking the one-click shopping experience is also a major target for the card schemes and other Internet giants like Google and Amazon. (Source date: 29 March 2016)

Major UK banks to support Android Pay launch

Bank of Scotland, First Direct, Halifax, HSBC, Lloyds Bank, M&S Bank, MBNA and Nationwide Building Society are the first banks to have lined up behind Google for the forthcoming launch of Android Pay in the UK. Set to launch sometime in the 'next few months', Android Pay will support MasterCard and Visa credit and debit cards for tap and pay payments at 460,000 contactless terminals across the country, including Transport for London tube, bus and train travel. It can also be used to buy goods in third-party apps, saving users from re-keying payments details in multiple apps.

However, Barclays Bank is not planning to support Android Pay, preferring instead to go it alone with its own Barclaycard app which includes support for HCE-based NFC mobile payments. (Source date: 23 March 2016)

Mobile payment network rolled out in Austria

Payment Services Austria is rolling out a national SIM-based NFC mobile payments app for Maestro cardholders using Android handsets. Developed in association with Austria Card, Mobile Maestro (called Bankomatkarte Mobil), is being launched nationwide following a successful field trial in Linz.

Using an NFC SIM provided by the telcos, the system will let customers make payments, as well as use loyalty cards and coupons, at contactless Visa and MasterCard terminals with a tap of their handsets. It can be used in the more than 250,000 PayPass outlets worldwide, including 35,000 contactless point-of-sale terminals in Austria.

Austria Card is responsible for running the datacentre for mobile provisioning and taking care of security, including key management, PCI DSS compliant network infrastructure, and monitoring of the Trusted/Business Service management (BSM) system. (Source date: 17 March 2016)