



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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Items in this issue:

Savantor's View	1	China opens up to Visa and MasterCard	3
Contactless and a new slant to wearable technology	1	UK card spending continues to rise	3
Products and Initiatives	1	EC approves Visa Europe acquisition.....	4
UniCredit offers cash prize to attract startups	1	PayPal forced to shut down in Turkey	4
Travelex launches 'Supercard' for travellers	2	Debit cards to overtake cash in UK by 2021	4
ICBPI and Nets partner for Italian instant payments	2	Mobile Money	4
Tech Mahindra agrees Target Group acquisition.....	2	Apple Pay comes to the web	4
Santander pilots app using blockchain technology	2	Topshop and Barclaycard team up on contactless fashion.....	4
Market News	2	PayPal reduces mobile support	5
Bank of America announces more job losses	2	Apple Pay to launch in Singapore	5
Walmart Canada to refuse Visa credit cards	3	ISO preps new mobile payments standards	5
BBA backs merger plan	3		

Savantor's View

Contactless and a new slant to wearable technology

We are all aware of the increasing popularity of contactless as a payment method in today's world of mobile payments. A new report released by the UK Cards Association shows that in 2015, £7.75 billion was spent using contactless cards, compared to £2.32 billion in 2014; it is also interesting to note that the growth in spend increased more than the growth in the number of contactless cards.

We are very familiar with their use being synonymous with small value payments, typically used in bars and cafes and of course as a means of transport payment particularly in the capital.

Now another area of payment interactions is harnessing the benefits of contactless technology – charity donations.

Apparently the UK Cards Association is already working in conjunction with charities to develop devices for contactless cards in place of the traditional charity tin, whereby people wishing to donate can pay by waving a credit card over a pad instead of searching for loose change.

Last month we heard about the charity Mary's Meals piloting the introduction of contactless donation boxes with selected partners in cafes across England, where customers can make a donation of 30p by merely tapping their card.

And in the past couple of weeks, the Blue Cross animal charity has been using 'pat and go' dogs to collect donations - providing dogs with coats to which a contactless terminal is attached, so that people can make donations with a 'pat and tap'.

It adds another dimension to the concept of 'wearable technology'!

Products and Initiatives

UniCredit offers cash prize to attract startups

Italy's UniCredit is inviting teams of developers to demo innovative applications for PSD2, real-time insight and digital wallets and compete for a EUR50,000 grand prize. Participants in the programme are challenged to focus on current technology trends including biometrics, mobile wallets/payments, artificial intelligence, social media banking in conjunction with new and emerging business models.

The Italian banking group is looking for applications suitable for immediate development and integration with UniCredit Business Integrated Solutions.

The bank has set up a specialist team of relationship managers to work closely with emerging startups,

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screening them for potential investment and partnership opportunities and on-selling the bank's platforms to provide access to clearing and settlement systems. (Source date: 14 June 2016)

Travelex launches 'Supercard' for travellers

Travelex is partnering with Germany's Wirecard to launch a new card and app combination for UK travellers to avoid overseas debit and credit card roaming fees and charges when spending abroad. Supercard connects all existing credit and debit cards into a single chip and PIN-protected Mastercard, issued on behalf of Travelex by Wirecard, which provides the back-end technical routing, risk management and acquiring process.

Customers link their credit or debit card via an app to their Supercard - and receive instant updates through the app on how much they spend and savings incurred. Users get the MasterCard wholesale rate and retain reward points on the cards they use by proxy.

The full-scale launch of Supercard in time for the summer holiday season follows a pilot trial conducted last year. (Source date: 14 June 2016)

ICBPI and Nets partner for Italian instant payments

Istituto Centrale delle Banche Popolari Italiane (ICBPI) has enlisted Denmark's Nets to help it build an instant payments platform for the Italian market. Based on the Nets RealTime24/7 system in Denmark, the ICPBI platform will serve Italian payment service providers when it launches in the first quarter of next year, with an initial focus on mobile person-to-person payments.

The two organisations say that the system, already based on ISO 20022 and SEPA SCT, will be fully compliant to the SEPA instant credit transfer scheme, meaning it will offer pan-European interoperability. (Source date: 6 June 2016)

Tech Mahindra agrees Target Group acquisition

Indian IT services group Tech Mahindra has agreed to buy Target Group, a UK business process outsourcing (BPO) and software provider to financial institutions, for an enterprise value of £112 million. The acquisition is due for completion in Q2 2017, subject to FSA approval.

Target's technology helps to automate end-to-end processes in the lending, investments and insurance markets and is used by around 50 FS firms, including Goldman Sachs, Morgan Stanley and Yorkshire Building Society.

According to Tech Mahindra, the deal boosts its banking, financial services and insurance practice as it seeks to strengthen its fintech hand, providing cross-selling opportunities to acquired clients and technology that can be sold in new markets. (Source date: 27 May 2016)

Santander pilots app using blockchain technology

In what it claims is a UK bank first, Santander has begun piloting an app that uses blockchain technology from Ripple for international payments.

The app connects to Apple Pay, where users can confirm payments of between £10 and £10,000 securely using Touch ID. Funds appear in the recipient's account the next working day. Payments can be made from sterling to euros and dollars. Currently, payments made in euros can be sent to 21 countries and dollar payments to the USA only.

Last year Santander's fintech fund pumped \$4 million into Ripple, the digital currency network which is looking to develop the international money transfer business through the fast and frictionless exchange of its digital currency tokens in exchange for currency. (Source date: 26 May 2016)

Market News

Bank of America announces more job losses

Bank of America is to cut about 8000 jobs from its consumer banking division and further trim its branch network as more customers conduct their financial transactions online and via mobile.

The US bank has already cut branch numbers by a quarter over the past seven years; it hit another milestone in mobile service delivery two weeks ago, when it announced that 20 million customers had signed up for m-banking.

In the latest round of cuts, the bank is looking at natural wastage to reduce the number of back office staff and tellers, while it repositions its branches as sales outlets. (Source date: 15 June 2016)

Walmart Canada to refuse Visa credit cards

Walmart has announced its decision to refuse to accept Visa credit cards in its 370 stores across Canada. The store claims that its Canadian arm pays over \$100 million in credit card fees each year.

In November last year, Visa and MasterCard caved in to pressure from Canadian competition authorities and agreed to set a voluntary 1.5% ceiling on interchange rates in the country for the next five years. The latest move by Walmart followed an evaluation of credit charges that drew the conclusion that the fees applied to Visa credit card purchases "remain unacceptably high".

Customers will continue to be able to use other forms of payment including cash, Interac debit, MasterCard, Discover, and American Express. The injunction applies only to Walmart's Canadian operations. The retailer made a statement that it sincerely regrets any impact this will have on customers who use Visa and remains optimistic that an agreement will be reached with Visa. (Source date: 13 June 2016)

BBA backs merger plan

The British Bankers Association (BBA) has backed a plan to merge four of the UK's financial services lobby groups into one industry body. The planned merger will see the BBA join forces with the UK Cards Association, Payments UK and the Council of UK Mortgage Lenders to form one single body or super-lobby group.

Backers of the plan argue that the merger will save millions of pounds in administration and membership fees as well as addressing bankers' complaints that multiple trade bodies leads to a duplication of lobbying efforts.

Although the plan received almost unanimous backing from BBA members (94%), it has not convinced all lobby groups in the UK's financial services sector. The Building Societies Association, which shares some members with the BBA, voted against the plan because it did not cater enough for the building society sector. (Source date: 10 June 2016)

China opens up to Visa and MasterCard

China is finally preparing to open up its huge payments card market to foreign firms such as Visa and MasterCard. The People's Bank of China says that outside players can apply for a license but that they must hold 1 billion yuan (\$152 million) in registered capital in a local company, be based locally and meet cybersecurity standards.

China saw 55 trillion yuan in consumer card transactions last year and the country is projected to become the biggest card market in the world by 2020. Visa and MasterCard have been lobbying for a way into the market - in which local scheme China UnionPay has long held an effective monopoly - for years.

China promised to loosen UnionPay's grip after the World Trade Organisation ruled in 2012 that the US firms were being discriminated against in the country. The WTO entered the fray after the US government made a complaint. (Source date: 10 June 2016)

UK card spending continues to rise

New figures issued by the UK Cards Association show that plastic use as a means of payment continues to grow, with rising online and contactless transactions driving spending on debit and credit cards up 10% to £660 billion in 2015.

Card spending online was up 20% to £210 billion from £175 billion in 2014, meaning that almost a third of plastic spending now takes place via the internet; by the end of 2015 half of online spending took place on tablets and smartphones, up from 37% in 2014.

Nearly half of all cards in issue now have contactless capabilities, with £7.75 billion being spent via tap and pay, compared to £2.32 billion in 2014. The huge rise is in part down to the increase in the payment limit to £30 and the growth of contactless transport ticketing.

Looking ahead, the association estimates that debit cards will be used for 21 billion payments in the UK, worth £856 billion, by 2025. (Source date; 10 June 2016)

EC approves Visa Europe acquisition

Visa Inc is expected to seal its takeover of Visa Europe by the end of the month, after getting full regulatory approval from the European Commission.

Visa expects to realise around \$200 million in annual pre-tax cost synergies through the deal by 2020, representing about 30% of Visa Europe's operating expenses. (Source date: 3 June 2016)

PayPal forced to shut down in Turkey

PayPal says that it is shutting down in Turkey after local regulators rejected its license applications. In a notice on its site, the global giant says that from 6 June it will cease its activities in Turkey and that customers will not be able to send and receive money via their PayPal accounts. Balances can be moved to Turkish bank accounts. It is a move that will affect hundreds of thousands of consumers and thousands of businesses.

PayPal says that it has been forced into suspending payment processing after its payment license application was denied by the financial regulator, BDDK. Apparently the license was denied because of a new rule in Turkey that requires IT systems to be based in the country. (Source date: 31 May 2016)

Debit cards to overtake cash in UK by 2021

Debit cards are set to overtake cash as the most popular payment method in the UK by 2021, according to data compiled by Payments UK. Cash was still the most popular payment method in 2015 accounting for roughly half (45.1%) of all payments. However it is predicted that by 2025 notes and coins will drop to being used for just over one in four (27%) payments. The tipping point for the most popular payment method will be reached in 2021 when 14.5 billion debit card payments are predicted, overtaking the forecast 13.0 billion cash payments for the first time.

Payments UK also forecasts another landmark in 2025, when credit, debit and charge cards will account for more than half of all payments made (50.2%) - driven in large part by the increasing popularity of contactless.

Continued growth is also predicted in the Faster Payments Service as more consumers move to online and mobile payments. These payments will more than double over the next 10 years, with 1.9 billion one-off and forward-dated payments forecast to be made in 2025.

There were 13% fewer cheques written in 2015 compared to a year earlier, but this still resulted in more than 546 million cheque payments being used in the year. (Source date: 23 May 2016)

Mobile Money

Apple Pay comes to the web

Apple is extending its payments service to the web, enabling shoppers that use its Safari browser to complete purchases by touching the fingerprint reader on their iPhones. The new feature sees Apple move beyond instore and in-app payments to the web, where it will join the likes of PayPal.

When shopping at participating merchant sites through Safari, customers will see a 'Pay with Apple Pay' button at checkout. When they click the button a notice will pop up on the screen asking them to authenticate the purchase by either using Touch ID on their phone or the Apple watch.

Apple Pay is also coming to new countries, arriving in France, Switzerland and Hong Kong within the next few weeks. (Source date: 13 June 2016)

Topshop and Barclaycard team up on contactless fashion

Barclaycard is teaming up with high street fashion retailer Topshop on a range of NFC-enabled bracelets, phone cases and keychains. The collection consists of accessories in a luxe metal and snake effect design, that each hold the small bPay by Barclaycard contactless chip, which links to a secure digital wallet.

Launched by in 2014 - initially as a wristband - bPay is available to anyone with a UK-registered Visa or MasterCard, debit or credit card, not just Barclaycard and Barclays customers. Users add funds to their digital wallet on-the-go using a mobile app, online through the bPay web portal, or set up an automatic top-up which adds funds when their balance falls below a pre-set level. (Source date: 10 June 2016)

PayPal reduces mobile support

PayPal is discontinuing support from Amazon Fire, Windows Phone, and Blackberry mobile phones, providing users with another reason to switch to iOS and Android models.

Version 6.0 of the PayPal app will go live for Android and iOS users at the end of June, with an enhanced focus on the ability to send and request money and view balances and transaction history.

But for Windows Phone, Amazon Fire and Blackberry users, support for the new app will be discontinued, with customers advised to log in to PayPal on the mobile Web.

Paypal commented that it was a difficult decision to no longer support the PayPal app on these mobile platforms, but believes it to be the right thing to ensure resources are invested to create the best experiences for customers.

Amazon has already pulled back from the mobile phone market following underwhelming sales, while Microsoft recently announced plans to lay off 1850 employees from its smartphone division. (Source date: 26 May 2016)

Apple Pay to launch in Singapore

Five major banks, representing 80% of Visa and MasterCard credit and debit cards issued in Singapore, have signed up to Apple Pay, extending the use of the mobile wallet beyond a limited earlier release for AmEx cardholders. MasterCard says it is working with DBS, OCBC, POSB, Standard Chartered and UOB, to enable iPhone and Apple watch users to make purchases in stores equipped with contactless readers.

Recent figures from MasterCard indicate that consumers in Singapore are supportive of the idea of adopting contactless payments. Singaporeans are among Asia's top three adopters of digital wallets and interest has been climbing steadily with one in four likely to use a digital wallet compared to just one in 20 three years ago. Research from Visa suggests around eight in ten Singaporean consumers are 'likely' to pay for goods and services in brick-and-mortar stores using their mobile phones over cash and physical cards.

Apple Pay's launch comes only a month after Samsung announced plans to roll out its rival mobile wallet with the support of DBS/POSB, OCBC Bank and Standard Chartered. Previously, Apple Pay had only been available for American Express cardholders in Singapore. (Source date: 25 May 2016)

ISO preps new mobile payments standards

ISO is developing a new set of standards to support mobile payments and banking. Technology in this area is exploding as consumers are being quick to adopt mobile banking functionality but in order for the functions to work across the many platforms involved, harmonized processes and transparency are key. It is clear that an agreed interface between the various devices and payment systems is essential.

A new series of standards, the ISO 12812 series of standards and technical specifications, aims to define common terms and requirements that allow for wider and more advanced interoperability. The series is being developed by working group 10 of ISO technical committee ISO/TC 68/SC 7 for core banking services, whose secretariat is held by AFNOR, ISO's member in France.

The draft versions of the ISO 12812 suite of standards are currently available while the final versions will be published later this year. (Source date: 25 May 2016)