



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](mailto:info@savantor.com).

**Savantor Limited**  
68 Lombard St  
London EC3V 9LJ  
Tel: 0870 734 6250  
Fax: 0870 734 6251  
email: [info@savantor.com](mailto:info@savantor.com)  
[www.savantor.com](http://www.savantor.com)

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## Savantor's View

### Banking role for Post Office branches

There has been more news this month about forthcoming bank branch closures: HSBC has announced that it is to shut 62 of its branches as the final part of a "restructuring" programme which has seen the bank close more than a quarter of its UK sites in the last two years.

Lloyds has already announced that it plans to speed up its closure programme in 2017, closing about 200 branches.

The key high street banks – Lloyds, Barclays, HSBC, Royal Bank of Scotland and Santander – have closed 1,700 branches in the past five years and there are likely to be more closures. The result of this is that about 1,500 communities and small towns no longer have a bank in the high street.

Whilst the reasons are understandable in business and productivity terms – cost of maintaining branches compared to online banking; reduced footfall in high street banks; increase in online banking usage – there is a wider consideration to the argument. Figures produced by Which? show that whilst 56% of adults used online banking last year, there are still 20 million adults who either don't or can't use it. Many of these have a poor broadband connection and the areas most affected by closures - South West England, Wales and Scotland - are predominantly rural and often with unreliable connectivity.

Aside from which there are times when it is incredibly helpful to be able to visit a branch in person and talk to a real person about an issue. Doing the rounds of call centre menus by phone is sometimes not enough to deal with some issues as well as being incredibly frustrating and at times a fruitless task.

Thus the latest initiative to enable Post Office branches to handle banking transactions sounds like a positive move, whereby the Post Office will be able to handle transactions for multiple high street banks from the same location. Whilst Post Office closure is also acknowledged to be an issue, the proposed new programme may well help in preventing further closures to be announced.

In this digital age of electronic banking, it should not be forgotten that there are times when face to face dealings are desirable if not essential. The new Post Office initiative may help to continue providing a worthy banking service within today's constraints of a reducing customer footfall in branches and a necessity to cut costs.

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## Products and Initiatives

### ***IBM and Visa partner to turn billions of connected devices into points of sale***

IBM has struck a deal with Visa which will give all customers of IBM's Watson Internet of Things (IoT) platform access to the card scheme's payment services, potentially turning billions of cars, fridges and other connected devices into points of sale. The partners will offer IBM Watson IoT clients the chance to tap the Visa Token Service, which replaces sensitive payment account information found on cards with a unique digital identifier. This could see payments and commerce supported on a significant number of the 20 billion connected devices estimated to be in the global economy by 2020.

IBM envisions many potential benefits, such as the Watson IoT platform alerting a driver when their car's warranty or certification is about to expire or if specific car parts need replacing. For its part, Visa gives the example of trainers with a chip that proactively sends an alert to a runner's fitness tracker at the end of each run, letting them know how many miles have been logged in the current pair and then reminding them when it's time to buy replacements before placing the order from a preferred retailer using a preferred Visa card.

A spokesman for Visa said that, with the power of Watson's cognitive technologies and IBM's leadership in IoT and security, IBM are the ideal partner to help Visa deliver secure payments to 'virtually anywhere' and on the enormous scale of the Internet of Things. (Source date: 16 February 2017)

### ***Liverpool launches its own digital currency***

Liverpool has launched its own digital currency using technology from Israeli-based blockchain startup Colu. The Liverpool Local Pound differs from other local currency units, such as those used in Brixton, Totnes and Bristol, by virtue of being an app-based service with transactions recorded on the Bitcoin blockchain network.

The new unit of exchange is being introduced by Independent Liverpool, a local group with a mission to support small independent retailers in the city. (Source date: 1 February 2017)

### ***ING aims to take blockchain experimentation to the next level***

Dutch bank ING says it has conducted 27 proofs of concept of the application of blockchain technology in six business areas, including payments, trade finance and working capital solutions, financial markets, bank treasury, lending, and compliance and identity.

Over the past year it has conducted a series of experiments across multiple business domains, including working as part of a consortium of ten banks on the 'know-your-customer' process, and in trade finance, where it demonstrated that shared ledger technology could reduce operational and compliance costs by between 10%-15% and increase bank revenues by as much as 15%.

As collaboration with other industry players and regulatory bodies is key to the success of the initiative, the bank has worked with a number of external partners including consortiums such as R3, fintech startups, the Dutch central bank, the Dutch Payments Association and the European Banking Forum. (Source date: 31 January 2017)

### ***Chinese central bank tests digital currency system***

The People's Bank of China (PBOC) has completed a successful trial run of a digital bank acceptance exchange, moving it closer to becoming the first central bank in the world to research and test its own digital currency, according to media agency Caixin. Apparently the trial was run with the participation of several commercial banks, including the Industrial and Commercial Bank of China, Bank of China and the private WeBank.

The Bank now plans to set up a digital currency research institute, staffed by experts in developing big-data systems, cryptography, and blockchain technology.

When the system is ready, the central bank's pilot digital bank acceptance exchange platform will be connected with the existing Shanghai Commercial Paper Exchange to form a national platform for bank bill transactions, said a person close to the central bank. (Source date: 30 January 2017)

### ***Turkish bank Yapı Kredi introduces eye scanning***

Claiming to be a European first, Turkish digital bank Yapı Kredi is to start letting customers log into their mobile accounts by scanning their eyes. Other features of the bank's revamped app include the ability to

carry out ATM transactions by scanning QR codes and talking to call centre staff without having to go through ID verification.

The new features have been introduced shortly after a Yapı Kredi bot on Facebook Messenger which lets users - including non-customers - find branches and ATMs, view exchange rate information and make exchange rate or loan calculations. (Source date: 18 January)

## Market News

### ***Bank of England to review bank note production processes***

The Bank of England is to maintain production of polymer-based £5 and £10 notes, despite protests from vegetarians and vegans over the use of animal fat in the new plastic money. The bank promised to investigate alternative options when concerns were raised that the new £5 note, which went into circulation in September, contains tallow, a rendered form of beef or mutton fat.

Following discussions with supplier Innovia it decided against halting the production process for the new batch of plastic £10 notes which are set to be introduced in September. It said it had spent £46m on printing the £5 note, and £24m so far on printing 275 million of the new £10 notes.

However, the Bank says it is seeking further opinions on the use of animal-derived products and plant-based alternatives before making any decisions on the polymer used in future production runs of £5 and £10 notes. (Source date: 15 February 2017)

### ***Australian banks continue fight over Apple Pay***

The group of Australian banks fighting it out with Apple over the introduction of its mobile payment system Apple Pay have narrowed down their complaint to the Australian Competition and Consumer Commission (ACCC) to focus solely on open access to the NFC function on iPhones.

The banks are being supported by the 5000 members-strong Australian Retailers Association. In a separate submission to the regulator, they say that in their view, for as long as Apple Pay remains the only app that can use the iPhone's NFC functionality, the potential for innovation in mobile wallets and mobile payments will be limited.

The ACCC is expected to issue its final ruling on the dispute in March. (Source date: 13 February 2017)

### ***BNP Paribas to double digital spending to EUR3 billion***

BNP Paribas is to invest EUR3 billion in a three-year business plan to build the 'bank of the future'. The French bank is looking to generate EUR3.4 billion in savings between 2017 and 2019, closing branches and raising its spend on digital initiatives by 50% over the period.

BNP Paribas says it will rely on the success of a significant number of initiatives already underway in terms of products, apps and digital platforms such as Hello bank! and Wa! in domestic markets, Cepteteb and BGZ Optima in IFS, Centric and Cortex in CIB, and through its tech labs and incubator programmes. (Source date: 7 February 2017)

### ***Klarna acquires Wonga's BillPay***

Fast-growing Swedish payments startup Klarna has acquired Germany's BillPay, a Berlin-based consumer financing outfit owned by UK payday lender Wonga.

The BillPay business is licensed by BaFin and offers its products and services in Germany, Austria, Switzerland and the Netherlands. It is in the same market as Klarna, enabling online shops to offer invoice, direct debit and flexible pay later installments to customers at the checkout. Established in 2009, it claims 5000 online merchants and 12 million consumer users.

Klarna, backed by Sequoia Capital, currently works with 65,000 merchants to offer payments to more than 45 million users in Europe and North America. (Source date: 6 February 2017)

### ***Financial regulator infects Polish banks with malware***

Several Polish banks have seen workstations infected with malware that appears to have originated from the country's financial regulator.

The issue seems to have been traced back to the webserver of the Polish Financial Supervision Authority where, thanks to a modification of one of the local JS files, an external JS file was loaded, executing malicious payloads on selected targets.

The watchdog, which is responsible for setting bank cybersecurity standards, has confirmed that its systems had been compromised from outside Poland. (Source date: 6 February 2017)

### ***UK banks and Post Office strike branch banking deal***

Hailed as the biggest expansion in face-to-face banking in a generation, the UK's banks have struck an industry-wide deal to conduct day-to-day banking tasks across the national Post Office network. The agreement covers 99% of UK personal bank customers and 75% of business clients.

Data published by consumer group Which? says that more than 1000 branches have been closed over the past two years as banks move more customers online and roll out improved mobile banking services, leading to a decline in footfall in physical banking halls.

The new agreement will bring together the Post Office's existing arrangements with individual banks into a single set of cash and cheque services available to customers of virtually all UK banks. Card-based transactions will enable real-time credit and debit payments into customer accounts.

The deal was welcomed by the British Banking Association, which has borne the brunt of complaints from customers and Government ministers over the loss of banking services to small towns and local communities. (Source date: 24 January 2017)

### ***Starling Bank joins Faster Payments as direct member***

Starling Bank has become the first of the new wave of challenger banks to join the Faster Payments scheme as a direct member. Traditionally new bank entrants have connected to Faster Payments via another bank, or a sponsor bank.

Starling, which is set for a live launch early this year, says the direct connection will help it provide customers with real-time insights into payment flows. (Source date: 23 January 2017)

### ***Number of US data breaches up 40% in 2016***

The number of US data breaches tracked in 2016 hit an all-time record high of 1093, up 40% on the previous year, according to a new report from the Identity Theft Resource Center (ITRC) and CyberScout. The financial services sector accounted for 52 of the breaches - just 4.8%, making it the least hit of five tracked industries, behind business, healthcare, education and the government and military.

For the eighth consecutive year, hacking, skimming and phishing attacks were the leading cause of data breach incidents, accounting for 55.5% of all instances. Breaches involving accidental email and internet exposure of information accounted for 9.2% of the total, with employee error at 8.7%. With the exception of hacking, all other categories reflected decreases from 2015 figures. (Source date: 20 January 2017)

### ***CMA considers Mastercard remedies for VocaLink takeover***

MasterCard has agreed to reduce the costs to the Link ATM network for switching infrastructure providers in order to mitigate competition concerns raised over its £700 million takeover of VocaLink. Earlier this month, the Competition and Markets Authority (CMA) announced that Mastercard's proposed acquisition of VocaLink was facing an in-depth investigation unless the companies could address the watchdog's concerns over the deal.

The CMA says that remedies proposed by MasterCard - including opening up connectivity to the Link network for alternative providers, transferring or licensing the intellectual property rights relating to the Link Liss messaging standard and contributing to member switching costs - could address the issues raised.

The CMA has until 15 March 2017 to consider whether to accept the undertakings, although it may extend this deadline to 15 May 2017 if it decides that there are special reasons for doing so. The proposals will now go to public consultation. (Source date: 18 January 2016)

### ***EBA Clearing begins testing instant payments system***

EBA Clearing has begun the testing phase for its pan-European instant payment infrastructure platform ahead of a potential November launch. The new platform is planned to be in line with ISO 20022 messaging standards and fully compliant with the SCTInst Scheme that is currently being created by the European Payments Council. Operating around the clock, it will be available to payment service providers across the EU.

EBA Clearing says the platform is on track to go live on the launch date of the SCTInst Scheme launch date in November. The bank-owned organisation invited 28 of the funding institutions to Milan to mark the start of the testing phase with a demonstration of the functioning of the new system run by technology partner SIA. (Source date: 18 January 2016)

## **Mobile Money**

### ***DNB spins off Vipps mobile payment service***

More than 100 Norwegian banks are to take a stake in the Vipps P2P mobile payment app developed by DNB in a bid to block competition from rival Nordic platforms and companies such as Facebook, Google and Apple. DNB, the SpareBank 1 alliance, the Eika alliance, Sparebanken Møre and the 15 independent savings banks which also are co-owners of Frende Forsikring have signed a letter of intent, to jointly acquire a 48% stake in the mobile payment service.

DNB will retain a 52% controlling interest in Vipps, which will be spun off as an autonomous joint venture.

Vipps counts about 2.15 million individual users in the country and more than 30,000 corporate customers. On average 204,000 transactions are carried out daily, DNB says.

According to the group chief executive of DNB, the alliance will make DNB and Vipps better equipped to win the race against Nordic and international market participants. (Source date: 13 February 2017)

### ***SIX issues mobile credit card in Austria***

SIX Payment Services has issued a SIM-based virtual credit card for making mobile payments in Austria. Once installed, the mobile card appears on the mobile display of an Android 4.1 and above compatible phone and can be used to make tap-and-pay purchases at any eftpos terminal displaying the contactless symbol. The card can also be used for online shopping in the same way as a physical credit card. (Source date: 3 February 2017)

### ***Emirates NBD launches bank for the millennial generation***

Emirates NBD has launched a lifestyle-focused digital-only bank, Liv.. Designed to be 'mobile and social first', the Liv. mobile app allows customers to open their bank account instantly from their smartphones by scanning in their Emirates ID card. The new digital banking proposition is a key plank in Emirates NBD's planned investment of \$136 million towards digital innovation and multichannel transformation over the next three years.

Alongside routine transactions, customers can access various 'lifestyle' functionality and tools. The app also enables funds transfers to be performed from within popular platforms such as Facebook and Whatsapp. The new app also partners with some of the most popular lifestyle brands in the region such as Zomato, Fetchr, Voucherskout and Careem.

The beta version of the app will be made available to select customers in phases, starting this month on the Android operating platform followed by iOS. (Source date: 2 February 2017)

### ***Positive response to contactless donations***

Barclaycard is reporting positive feedback from a trial of contactless donation boxes with eleven leading charities. The trial commenced in September 2016, with the charity organisations using portable payment boxes in a number of different ways - from volunteers roaming with boxes at special events to placing them next to the checkouts in charity stores. The boxes, developed in association with Payworks, Miura and Sprout are fitted out to accept both Chip and PIN and contactless donations including those made by wearable and mobile devices

Although it was only a short trial, the charities took more than £20,000 in donations and reported positive responses from the public.

According to research commissioned by Barclaycard, charities may be missing out on more than £80m in donations each year by only accepting cash donations, with rising levels of contactless spending substituting for cash-only transactions. (Source date: 30 January 2017)