



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.

Savantor Limited
68 Lombard St
London EC3V 9LJ
Tel: 0870 734 6250
Fax: 0870 734 6251
email: info@savantor.com
www.savantor.com

Items in this issue:

Savantor's View	1	Market News	3
'Drive-thru' banking	1	PSD2: European banks support screen scraping ban	3
Products and Initiatives	1	BofA Survey: P2P payments become social norm	3
Card networks introduce standardised QR codes to		BNP Paribas signs global Snapchat deal	4
Thailand	1	RBS reports quarterly profit.....	4
Emirates NBD integrates blockchain tech into cheques ..	2	Huge increase in financial sector breaches in 2016	4
Pennies and Ingenico partner to bring digital charity		Bankruptcy for Plastic	4
boxes to the checkout	2	Mobile Money	5
Vocalink, SIA and CGI to compete for Canadian		Samsung Pay launched in UK	5
contract	2	Launch of French universal mobile app	5
DBS and OCBC introduce QR codes for mobile		N26 moves into savings market with Raisin API.....	5
payments.....	2	Dutch banks back all-in-one mobile payments from ING. 5	
South Africa gives the go-ahead to biometric cards	3	PayPal strikes mobile payments deal with Google	5

Savantor's View

'Drive-thru' banking

The longevity of cash and how long it will be before it dies out is a topic frequently discussed these days, with varying views expressed about the potential timescales involved.

One of the implications of this development, if it comes to pass, is the impact upon the requirement for ATM's and the companies such as NCR for whom the ATM is fundamental to their business.

It is not particularly surprising, therefore, that ATM suppliers might be considering ways of expanding their use beyond that of the services they currently provide.

During the past month there have been media reports about 'drive-thru' banking arriving in the UK next year with bank branches being replaced by 'bank in a box' machines. NCR is reported to be holding discussions with banking institutions about providing such functionality. Apparently, customers could open an account, request an overdraft or apply for a mortgage from their car at 'bank in a box' stations where screens can be used much like a tablet, with swiping, pinching and zoom functionality. There would also be an additional video option to enable them to talk to staff remotely.

The intention is that use of these machines would be particularly attractive to banks in the current environment where the closure of local bank branches is an ongoing process.

Whilst innovation, automation and the customer response to new technology is the process of evolution, it is not desirable that the more vulnerable sections of our society, such as the elderly, are disadvantaged by its introduction. Although it is fine to claim that these banking stations are 'elderly friendly' because touch screens enable users to adjust the size of the text, the wider picture of consumer requirements must not be ignored. If, for example, some elderly customers struggle with use of computers and online banking, providing touch screens is not necessarily of much use – particularly if the individuals concerned are of an age where it be difficult to access one of these machines anyway as they no longer drive. Innovation and new technologies are obviously to be encouraged – but less technical alternatives must be retained for less technically or physically capable sections of the community.

Products and Initiatives

Card networks introduce standardised QR codes to Thailand

Mastercard, UnionPay International and Visa have introduced a standardised QR code for payments by

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mobile phone at merchant locations across Thailand. Intended to be implemented by banks and merchants across Thailand by the third quarter of 2017, the new standard will mean that consumers will no longer need to scan different QR codes to make payments with Mastercard, UnionPay and Visa. Merchants will only need to display one QR code at the storefront or through the acquiring bank's mobile application.

The introduction of the interoperable code supports the Bank of Thailand's cashless agenda as part of a National e-Payment Roadmap introduced by the Ministry of Finance. The standards are intended to be globally interoperable, providing a seamless experience for cardholders when travelling abroad. (Source date: 11 May 2017)

Emirates NBD integrates blockchain tech into cheques

Emirates NBD is embarking on a pilot that will see it use blockchain technology to boost the security of its cheques. In the first stage of the 'Cheque Chain' initiative, bank employees will pilot the use of cheques with QR codes designed to make them harder to forge.

At a later date, Emirates NBD also plans to make the QR codes register each cheque on the bank's blockchain platform. This will ensure that once it is received and cleared staff will be able to validate the cheque's authenticity and have access to its source at all times.

The bank says that Cheque Chain is just the beginning of a significant strategy to integrate blockchain technology into existing products and services to boost security. (Source date: 1 May 2017)

Pennies and Ingenico partner to bring digital charity boxes to the checkout

Digital charity box Pennies has teamed up with POS terminal maker Ingenico to make it easier for UK consumers to give money to good causes at the checkout. Pennies lets people add some virtual small change to their card payments at participating retailers. The micro-donations are anonymous and go to a charity picked by the merchant.

So far, Ingenico Pennies-enabled payment devices are activated in over 3000 terminals in the UK at merchants including David Lloyd Leisure and Topps Tiles.

Topps Tiles introduced Pennies into its Ingenico payment terminals in 2015 and, with donations averaging 34p, has so far raised over £96,000 for Macmillan Cancer Support.

Separately, Barclaycard has partnered with mobile app outfit Donate the Change to introduce charitable giving across a range of wearable accessories, from wristbands to bracelets and keyrings. (Source date: 27 April 2017)

Vocalink, SIA and CGI to compete for Canadian contract

Payments Canada has announced that the UK's Vocalink, Italy's SIA and local player CGI will compete for the right to build the country's new core clearing and settlement system. The three organisations were invited to take part in a competitive procurement process, which will take place over the next few months.

In December, Payments Canada published its multi-year roadmap, which sets out plans for near-term enhancements to existing systems to speed up transactions, as well as longer-term improvements such as the implementation of a faster payments capability and a new core clearing and settlement system.

Having masterminded the UK's Faster Payments service, Vocalink has won several big contracts around the world, including Singapore, Thailand and the US bank-backed ACH The Clearing House. SIA's achievements include a deal with EBA Clearing to develop a pan-European real-time payment system.

The winner will work alongside Accenture, which last month was brought onboard for "three to four years", helping with all aspects of the modernisation plan and setting up an industry project management office to support the dozens of financial institution participants through what is expected to be a complicated and expensive process. (Source date: 26 April 2017)

DBS and OCBC introduce QR codes for mobile payments

Singaporean banks DBS and OCBC are to introduce QR code-based payments at offline stores in a joint project with national payments processor Nets. Over the coming months, 2,000 Nets terminals will be enabled for QR code-based payments, rising to 10,000 by the end of the year.

Meanwhile, users of the DBS PayLah! app will be able to generate their own QR code, which they can

display at their premises or send to others via social or online channels for payments. Additionally, from next month, OCBC Pay Anyone customers will be able to scan a merchant's QR code and proceed to make payments of up to \$1000 a day, without the need for a card and PIN.

In Singapore, it is estimated that more than 80% of payments made at small shops are in cash. At hawker centres and wet markets, this rises to 90%. The country is hoping to mimic the success of mobile payments in China, where QR code-based payments from the likes of AliPay have laid the groundwork for a move to a cashless society. (Source date: 26 April 2017)

South Africa gives the go-ahead to biometric cards

Mastercard is preparing to roll out biometric cards combining chip technology with fingerprints after getting approval from early-stage trials in South Africa. The new card builds on fingerprint scanning technology used for mobile payments today and can be applied at existing EMV terminals worldwide.

To use the technology, developed by startup Zwipe, cardholders must first register their fingerprint with their financial institution for conversion into an encrypted digital template that is stored on the card. At the checkout, the cardholder dips the card into a retailer's terminal while placing their finger on the embedded sensor. The fingerprint is verified against the template and - if the biometrics match - the cardholder is successfully authenticated and the transaction approved. A contactless version of the technology is also in the works.

South Africa is the first market to test the technology, with two separate trials recently concluded with supermarket Pick n Pay and Absa Bank. Additional trials will be conducted over the next few months, both in South Africa and in Europe and Asia Pacific. A full roll out is expected later this year. (Source date: 20 April 2017)

Market News

PSD2: European banks support screen scraping ban

European banks are concerned that privacy of client data, cybersecurity and innovation are at risk should the European Commission bow to the demands of fintech firms and backtrack on plans to ban screen-scraping under the revised Payment Services Directive, PSD2.

Earlier this month, sixty organisations representing a broad cross-section of fintech businesses across Europe joined forces to protest against new rules by the European Banking Authority that would ban screen scraping of customer data from online banking interfaces. While PSD2 is intended to spur competition and innovation by opening up access to customer data, fintech businesses fear the reforms will provide banks with the means to control what data is shared, putting new entrants at a disadvantage.

The European Banking Federation has dismissed the objections, referring to screen scraping as an inferior first-generation direct access technology that would be superseded by APIs empowering clients to decide for themselves which data can be accessed by third parties.

The Federation's intervention comes amid fears among banks that the European Commission appears willing to reject the EBA advice and may let screen-scraping continue, forcing banks to maintain at least two interfaces and making it more difficult to protect the privacy of account holders. (Source date: 16 May 2017)

BofA Survey: P2P payments become social norm

According to a Bank of America survey, Americans are embracing person-to-person payments, with more than a third now using services such as Zelle and Venmo to pay each other back. Among millennials, P2P payments have become the social norm, used by 62%; 68% cite convenience and time savings as the reason, while 48% mention peer influence. Only 16% say that they use the new digital options because they do not want to use cash and cheques.

The survey of 1005 adults with banking relationships and smartphones shows that among other age groups, 45% of non-users polled said that they plan to start using the functionality within the next year.

The growing ubiquity of services is also a factor in P2P uptake, with 30% saying that they have started using P2P payments because of new offerings from banks. Timing is also a key factor for P2P payments service users, with 69% of respondents saying they pay others back within the same day, and one-third in under an hour. (Source date: 12 May 2017)

BNP Paribas signs global Snapchat deal

BNP Paribas is strengthening its ties to Snapchat, signing a global partnership deal with the teen-friendly photo and video sharing platform in an attempt to boost its profile among the millennial generation.

Last year the bank generated three million Snap views in a single collaborative programme, acting as an influencer on a Snapchat guide for students studying abroad. It also has its own group Snapchat account, in which staff from all over the world are invited to share their experiences by posting photos and videos on the channel.

The global partnership agreement will see commercial communication initiatives grow around the bank's major projects, including the forthcoming release in cinemas of sci-fi blockbuster *Valerian* and the Roland-Garros tennis tournament. (Source date: 3 May 2017)

RBS reports quarterly profit

Royal Bank of Scotland has reported its first quarterly profit since 2015. It posted profits of £259m in the first three months of 2017, compared with a £968m loss a year earlier. After stripping out restructuring costs, the core operating business made a profit of £1.3bn, up from £1.02bn. The bank stated that its cost-cutting plan for 2017 was ahead of schedule, with 37% of the planned £750m cuts achieved.

The bank, 72%-owned by the UK government, has said 2017 will probably be the final year it makes a loss as it moves nearer to resolving fines and settlements.

Unfortunately, the news was announced at the same time as system problems hit customers of subsidiary NatWest who saw transfers from accounts vanish and mobile apps and online banking go dark. The problems couldn't have come at a worse time, hitting on payday for thousands of customers and at the start of a bank holiday weekend. The issues were resolved by the end of the day. (Source date: 28th April)

Huge increase in financial sector breaches in 2016

More than 200 million financial services records were breached in 2016, representing a 937% percent increase over the previous year, according to data from IBM. The monetary gains associated with corporate and customer data available throughout the financial sector tempted cybercriminals to switch their focus away from the healthcare and retail sectors to go straight to the source.

The data from IBM's X-Force Research team revealed the financial services industry was attacked more than any other industry in 2016 - 65% more than the average organisation across all industries. As a result, the number of financial services records breached skyrocketed 937 percent in 2016 to more than 200 million.

In total, financial institutions were forced to defend against a 29% increase in the number of attacks from 2015. Intruders concentrated their activity on the weakest link in the security chain, hitting employee machines with multiple phishing campaigns in an attempt to plant malware. These insider attacks were the genesis of 58% of the breaches tracked by IBM.

A new report by Verizon which examined 2000 breaches at major organisations found malware and phishing were techniques favoured by cybercriminals. To mitigate against the threat, IBM recommends that all banks conduct regular staff awareness training and employ strong data access and governance principles, augmented by a multi-layered approach to fraud detection. (Source date: 28 April 2017)

Bankruptcy for Placstc

Placstc, an all-in-one card and mobile app that promised to put an end to bulging wallets and revolutionise the way we pay, has filed for bankruptcy three years after launch without issuing a single product. The company had promised to roll out its first products in the Summer of 2015, banking \$9 million in pre-orders from 80,000 prospective customers in the process.

Multiple missed deadlines later and the company says it is now exploring options to file Chapter 7 bankruptcy protection and will cease operations on 20 April.

Placstc has suffered the same fate as Coin, another hotly-tipped startup that promised 'one card to rule them all', and similarly shut down last year. (Source date: 21 April 2017)

Mobile Money

Samsung Pay launched in UK

Samsung's long-awaited entry into the UK market for mobile payments is finally over. Originally scheduled for release in 2016, the app will this month be available for download on compatible user devices.

The hold up is believed to be related to the UK bank industry's reluctance to support the use of Samsung's MST technology for magstripe emulation on non-contactless terminals. This element has now been disabled in the UK.

Visa, which is providing the tokenisation service for Samsung pay in the UK, says the service will initially be available to Visa cardholders who bank with MBNA, Nationwide and Santander. Samsung advises that HSBC, first direct, M&S Bank and Amex will also be joining soon. (Source date: 16 May 2017)

Launch of French universal mobile app

French retailer Carrefour is to begin the roll out of LyfPay, a new mobile app resulting from the merger of BNP Paribas-backed Wa! and Credit Mutuel's Fivory, which will enable customers to make instore and online payments with a single movement, send P2P money transfers, settle invoices and use loyalty points and coupons.

The agreement to merge Wa! with Fivory was announced in October last year with the aim of creating a universal mobile app backed by two of France's biggest banks, retailers Carrefour and Auchan, and Mastercard.

Available for installation on any smartphone, the partners claim to have secured the approval of petrol chain Total, plus a number of independent traders, hospitality groups and non-profit charity and student organisations for the nationwide launch this month. (Source date: 15 May 2017)

N26 moves into savings market with Raisin API

Mobile-only banking platform N26 has partnered with Raisin to open access to savings accounts from banks across Europe. N26 was launched in Germany and Austria in January 2015 as a current account with a Mastercard. It now operates as a fully-featured bank with instant overdraft, international transfers into 19 currencies through a tie-up with TransferWise, investment options via Vaamo and real-time consumer credits up to EUR25,000.

N26 claims to be Europe's leading mobile-only bank, growing its user base to 300,000 and recording a seven-fold growth in transaction volumes over the past year. The startup says it is currently attracting 1000 new users every day. The tie-up with Raisin now enables the bank to enter the savings market, offering customers a fixed-term account from one of 27 partner banks across the Eurozone accessible through a paperless sign-up process. (Source date: 10 May 2017)

Dutch banks back all-in-one mobile payments from ING

Six Dutch banks are supporting ING's multi-purpose mobile payments app Payconiq for a Summer roll out in the Netherlands. The all-in-one app enables users to make direct payments online, in-store and peer-to-peer via a direct connection with the customer's payment account at one of the participating banks.

The Dutch launch - backed by ABN AMRO, ASN Bank, ING, Rabobank, Regiobank and SNS - follows a successful pilot and introduction in Belgium, where the platform is supported by ING, KBC and Belfius. (Source date: 20 April 2017)

PayPal strikes mobile payments deal with Google

Consumers in the US will soon be able to use PayPal in Android Pay to make purchases at retailers in-store, in-app and online. Initially, users will be able to pay using their PayPal balance and over the coming months will have the ability to use cards that have been stored with PayPal following its recent tokenisation deals with Discover, Visa and Mastercard.

Similar deals struck with card issuers like Citi and FIS will be augmented with a forthcoming relationship with Wells Fargo. (Source date: 18 April 2017)