



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)

### Items in this issue:

<b>Savantor's View</b> .....	<b>1</b>	Monzo launches poll on overseas ATM fees .....	3
Increased use and acceptance of biometric technologies .....	1	Over 9000 European bank branches closed last year .....	4
<b>Products and Initiatives</b> .....	<b>2</b>	Rapid roll out of DLT impeded by regulatory and technology challenges .....	4
Itsme app to reduce number of passwords in Belgium ....	2	Danish payments processor Nets close to private equity buyout .....	4
Goldman plans to launch UK savings account .....	2	Indonesian ATMs impacted by satellite problem .....	4
Square applies for bank status .....	2	<b>Mobile Money</b> .....	<b>5</b>
Mastercard turns phones into contactless payments terminals.....	2	iPhone X uses Face ID for Apple Pay.....	5
PayPal launches cashback credit card .....	3	Nets deliver instant mobile payments to Vipps partner banks.....	5
Singapore to develop common QR code for payments ...	3	Zelle takes on Venmo with standalone P2P payments app .....	5
Amazon introduces cash option for the unbanked to UK .	3	KFC introduces facial recognition technology in China....	5
<b>Market News</b> .....	<b>3</b>	Growth in UK mobile contactless spending .....	6
200k Visa and MasterCard cards compromised in recent Equifax breach .....	3		

## Savantor's View

### Increased use and acceptance of biometric technologies

The use of biometrics in payments has been much in the news over the past month.

A supermarket in London is trialling a biometric payment system that uses vein technology to pay for goods. The technology works by scanning a person's finger veins with infrared and linking this unique biometric pattern to their bank cards.

The Costcutter supermarket has said it would consider rolling Fingopay out more widely if the trial, at Brunel University, was successful. Apparently the company behind the Fingopay technology, Sthaler, is currently having serious discussions with other UK supermarkets to introduce finger vein scanners at pay points across stores in the UK.

The much-hyped and awaited launch of the latest iPhone also took place, introducing a facial recognition system as a means of owner ID verification for the iPhone X instead of a fingerprint based one. It is interesting that Apple's confidence in the security of its facial recognition technology contrasts strongly with that of rival Samsung: in March, after reports that the new Galaxy S8 could be fooled by photos, Samsung confirmed that it would rely on fingerprint and iris recognition for payments.

According to a recent survey undertaken by Worldpay, nearly two thirds of UK consumers want the option to be able to authorise in-store payments using a biometric scan, with the most popular method being fingerprint technology.

Face, iris and voice recognition technologies are also considered acceptable at 24%, 33% and 18% respectively of the survey sample undertaken of 2500 people.

Consumer acceptance of and trust in these technologies is likely to be highly influenced by technologies in use on smartphones, hence we can expect to see facial recognition as a means of identification becoming more acceptable due to the 'Apple loyalty effect' of the iPhone.

It will also be interesting to follow the progress of the introduction of vein technology – whilst clearly it has a cost associated with it to support the technology, nevertheless it is described by supplier Sthaler as "the safest form of biometrics with no known breaches".

Whilst Savantor Limited ("Savantor") has used reasonable efforts to obtain information from sources which it believes to be reliable it does not make any representations or give any warranties or guarantees that the information provided or any opinions expressed herein are accurate, reliable or complete and none should be relied upon as statements of fact. In no event, including (without limitation) negligence, and in no circumstances will Savantor be liable for any loss or damage of any kind whatsoever, including (without limitation) any direct, special indirect or consequential damages, caused by the use of or reliance upon information provided or opinions expressed herein.

## Products and Initiatives

### *Itsme app to reduce number of passwords in Belgium*

Belgium's major banks and mobile network operators have joined forces to create an app that lets people replace their various online usernames and passwords with a single code or fingerprint. Developed by banks Belfius, BNP Paribas Fortis, KBC/CBC and ING, with telcos Orange, Proximus and Telenet, the itsme app is aiming to remove the need for the multiple passwords, user names, tokens and card readers Belgians currently need to use the Web.

Users simply download the app and then when carrying out a task on a participating website that requires some form of security, enter a five digit code. The app checks the code, as well as the actual handset and its SIM card to ID the user.

Launched earlier this year, the app can now be used by ING customers to sign into their accounts and approve transactions.

Later this year, Belgians are expected to use itsme for government services, including submitting tax returns. A number of insurance companies and retailers are also expected to sign on. (Source date: 12 September 2017)

### *Goldman plans to launch UK savings account*

Goldman Sachs is planning to bring its Marcus brand to the UK, offering online savings accounts and lending products for the masses.

The bank's first foray into consumer banking came in April 2016, with the US launch of its online retail bank where average Americans can open a savings account with just a \$1 deposit.

The bank is apparently planning to launch its Marcus brand in the UK in summer next year, with the aim of offering consumers easy-to-use and higher-returning savings options than available elsewhere.

There is also the possibility that a lending operation to take on the likes of Funding Circle and Zopa could eventually follow. (Source date: 11 September 2017)

### *Square applies for bank status*

Square has made an official application in the US for a banking license, ending months of speculation about its plans but also reigniting the argument about the use of industrial loans charters (ILCs).

These charters, also known as industrial bank charters, give companies permission to carry out banking services and also enable them to continue providing other non-financial commercial services. In theory Square, which applied for an ILC rather than a traditional banking license, will be able to continue to operate its food delivery business Caviar as well as the provision of its payment terminals.

In contrast, traditional bank holding companies are prohibited from any activity unrelated to financial services. Unsurprisingly banks have complained that this gives challengers seeking an ILC an unfair advantage while others have voiced concern that an ILC places too much commercial power in the hands of a single organisation.

If successful, the move would also potentially pave the way for Square to assume banking status. According to a Square spokesperson, the new bank will offer loans to small businesses, similar to its lending service Square Capital which is a partnership with Celtic Bank, as well as some deposit services. ILC status would enable Square to continue lending but without the reliance on a banking partner such as Celtic Bank. (Source date: 7 September 2017)

### *Mastercard turns phones into contactless payments terminals*

Mastercard is launching a pilot that will see small businesses in Poland able to accept contactless payments with only a smartphone. Starting in the Autumn, the trial will see several hundred small and micro businesses from all over Poland accept contactless card and mobile payments of up to PLN50 using just a phone and dedicated app, but without a dongle.

Mastercard is working with Elavon, Mobeewave and Polskie ePłatności on the project, for which it says it has developed "specific security principles".

Poland has a strong contactless base but a recent study commissioned by the Polish Foundation for Development of Cashless Payments shows that among entrepreneurs that gave up card or mobile payments, 36% did so because of the associated costs. (Source date: 30 August 2017)

### ***PayPal launches cashback credit card***

PayPal is launching an old-fashioned plastic credit card. The company has teamed up with Synchrony Financial on the PayPal Cashback Mastercard card, which will offer two per cent cashback on every online and instore purchase, with no annual limit, no minimum redemption amount, no restriction on how to spend rewards and no expiration.

A spokesman for the firm says that trials of the card have shown that customers are using PayPal more not only in stores but also online, and that the card "provides our customers with another innovative consumer credit option, making the payment experience seamless for each customer's unique lifestyle." (Source date: 30 August 2017)

### ***Singapore to develop common QR code for payments***

Singapore is planning to develop a common QR code that will facilitate payments among different schemes, e-wallets and banks. The country's new Payments Council has set up an industry task force made up of banks, payment schemes, QR service providers and government agencies to put together standardised specifications for the code by the end of the year.

The council believes that QR codes offer a cheaper and less infrastructure-heavy alternative to debit and credit card schemes, making them more feasible for smaller cash-based merchants. However, to avoid the fragmentation caused by several proprietary QR codes, a common scheme is needed.

In April local banks DBS and OCBC revealed plans to introduce QR code-based payments at offline stores in a joint project with national payments processor Nets.

The new taskforce will set out specifications to accept both domestic and international payment schemes as well as outline a governance structure and implementation strategy. (Source date: 29 August 2017)

### ***Amazon introduces cash option for the unbanked to UK***

Amazon has introduced a service that lets people top up their accounts by handing over cash at the physical locations of partner retailers to the UK.

To use Amazon Top Up, shoppers visit the Amazon site or app and request a barcode that they can either receive via text message or print off. The shoppers can then visit one of thousands of stores and petrol stations with PayPoint points and show the barcode to an employee, hand over cash, and have the funds added to their Amazon accounts within seconds.

The free service - which launched in the US in April - is aimed at people who may want to shop online but are unbanked and so have limited options beyond cash. (Source date: 25 August 2017)

## **Market News**

### ***200k Visa and MasterCard cards compromised in recent Equifax breach***

Apparently the details of more than 200,000 Visa and MasterCard cards were stolen during the recent cyber-breach at credit referencing firm Equifax in the US.

Visa says that the window for the exposure is between 10 November 2016 and 6 July 2017, although Equifax says that hackers did not gain access to its systems until the middle of May. The thieves managed to access card account numbers, expiration dates, and cardholder names - enough information for online purchases.

Equifax initially admitted that its systems had been breached on 7 September, with hackers exploiting a US website application vulnerability to steal the personal details of approximately 143 million US consumers.

Some British customers have been affected. Although Equifax says that its UK systems were not hit, a file containing some data was stored in the US. Names, dates of birth and email addresses - but not financial data - of fewer than 400,000 people may have been compromised. (Source date: 15 September 2017)

### ***Monzo launches poll on overseas ATM fees***

Monzo is ending its facility of free overseas ATM withdrawals after concluding that the feature is costing it too much. However, rather than simply imposing a fee, the UK digital bank is now asking customers to vote on how it should charge them.

The cost of providing free overseas ATM withdrawals has soared over the last year, largely driven by a small group of customers who appear to have signed up to Monzo specifically to use the card abroad. Just 13% of customers account for more than 85% of total ATM costs in any given month.

Although the company has been picking up customers at an impressive growth rate of five per cent a week, this is proving costly, leading it to report a pre-tax annual loss of £6.7 million in July.

However, Monzo is eager to soften the blow by asking customers to help it decide its new ATM fees. The firm is hoping this will help avoid some of the bad coverage received by German digital bank Number26 last year when it canceled hundreds of customer accounts for making what it deemed too many costly ATM withdrawals.

Monzo has posted a poll on its community site, offering three options; the company says that all of the options are designed to simply cover costs, not make it a profit. (Source date: 13 September 2017)

### ***Over 9000 European bank branches closed last year***

European banks closed over 9000 branches last year and shed 50,000 staff as use of online and mobile channels surged, according to data from the European Banking Federation.

The number of bank branches in the EU declined by 4.6% in 2016; an increase from 2015 when just three% of branches were lost.

Looking across a wider timescale, European banks have closed more than 48,000 branches since 2008, a contraction of 20.4%. Staff numbers also declined, falling to 2.80 million last year from 2.85 million a year earlier. This compares to 3.26 million in 2008. (Source date: 13 September 2017)

### ***Rapid roll out of DLT impeded by regulatory and technology challenges***

A senior Deutsche Börse executive says that regulatory impediments and the current fragmentation of protocols from a multiplicity of providers of distributed ledger technology will prove to be a major challenge for banks to overcome before the technology can go mainstream in financial markets.

A report for the World Federation of Exchanges suggests that real-life applications of DLT in the financial sector will not become more widespread until regulators are convinced that the technology can be made compliant with the existing regulatory framework.

Deutsche Börse, like many other market infrastructure providers, has had a dedicated team exploring potential applications of blockchain-based services for the past two years.

Whilst it is accepted that DLT is here to stay for the long-term due to its "indisputable benefits", nevertheless it will take time for technology to advance and a greater level of technological standardisation to be achieved prior to widespread application in the financial sector. (Source date: 11 September 2017)

### ***Danish payments processor Nets close to private equity buyout***

Nets, the largest payments processor in Scandinavia, is rumoured to be close to a private equity buy-out that would value the company at more than \$5bn, according to a report from the Financial Times.

Sources close to the discussions revealed to the paper that the Nets board met last week to decide on a buyer following an auction that has drawn the interest of the market. US firm Hellman & Friedman is believed to be in pole position.

Should the deal go through on the reported terms, with Nets shares valued at \$5.01bn, it would be the largest leveraged European buy-out in more than four years, surpassing the recent purchase of German pharmaceutical firm Stada which was acquired for \$4.1bn. It would also be another big deal in the payment processing space following US-based Vantiv's acquisition of UK-based Worldpay for \$10.35bn that was finalised in August.

The spate of buy-outs comes at a time when payment processors are seeking ways to cut costs and build scale as the industry moves towards digital payments and also when private equity groups and investors continue to benefit from low interest rates and cheap financing.

Nets was itself bought by a consortium of private equity firms in 2014 and was then listed in Denmark in 2016. Talk of a takeover in the last three months have helped to boost Nets share price by 16% during that period. (Source date: 1 September 2017)

### ***Indonesian ATMs impacted by satellite problem***

A problem with a telco-owned satellite knocked out thousands of cash machines in Indonesia over a

weekend at the end of August. State-controlled PT Telekomunikasi Indonesia says that its satellite suffered from connectivity issues because of a shift in its antenna's direction.

Bank Central Asia (BCA) says that 5700 of its ATMs were knocked offline by the issue, while Bank Rakyat Indonesia saw about 300 machines affected. (Source date: 28 August 2017)

## **Mobile Money**

### ***iPhone X uses Face ID for Apple Pay***

Apple has replaced Touch ID by Face ID in its new iPhone X, enabling users to authenticate themselves - including for Apple Pay and apps that support the feature - simply by looking at their handsets. To make an instore payment, users double click the button on the side of the phone, look at it and then hold it against the contactless reader.

Face ID works by projecting 30,000 invisible infrared dots when the user looks at the phone, checking the pattern against a stored image in real time. Data is stored on the handset.

Apple insists that the technology cannot be tricked by photos or even masks and that it is smart enough to recognise users if they wear a hat or grow a beard. It estimates that the chances of a stranger unlocking a phone with Face ID are put at one in one million, compared to one in 50,000 for Touch ID. (Source date: 12 September 2017)

### ***Nets deliver instant mobile payments to Vipps partner banks***

Nordic payments processor Nets is to enable instant P2P payments to customers of all Norwegian banks who use the Vipps mobile payments app. Users of Norwegian bank DNB, primary stakeholder of Vipps, are already benefitting from instant payment transfers enabled by Vipps' payment app.

The partnership with Nets will enable the extension of this real-time payment service to customers of the other 100 banks in the country partnered with Vipps, representing 40% of the total userbase of the mobile wallet.

A spokesman for Vipps said that using the common infrastructure for instant payments will eventually make it possible to transfer money in real-time for consumers in all Norwegian banks.

Apparently both parties have already begun adjustments to their systems to make the service available in the popular mobile wallet, with real-time payments expected to go live for some of Vipps' additional bank partners before the end of the year. (Source date: 12 September 2017)

### ***Zelle takes on Venmo with standalone P2P payments app***

As it prepares to launch its standalone app next week, US bank-backed P2P payments app Zelle is already gaining 50,000 new sign ups a day. Several of America's biggest banks already incorporate Zelle within their apps, but from Tuesday anyone will be able to use the service through their Visa and Mastercard debit card accounts, regardless of their financial service provider.

The move tightens up competition with PayPal's Venmo and Square Cash, with Apple also expected to enter the increasingly crowded P2P payments arena soon.

The service has already achieved some impressive numbers. In the first half of 2017, it was used for 100 million transactions, worth \$33.6 billion - more than double Venmo's value for the same period. (Source date: 8 September 2017)

### ***KFC introduces facial recognition technology in China***

KFC has rolled out Alipay's facial recognition technology at a restaurant in the Chinese city of Hangzhou. Customers place their order by scrolling through a menu on a large touchscreen before looking at a 3D camera and then entering their mobile phone number to authenticate payment.

The camera scans the customer's face and uses a "live-ness detection algorithm" that can detect things like shadows to prevent people from using photos and videos to trick the system.

The technology is currently only in a single KFC healthy-eating restaurant but more deployments are set to follow. (Source date: 4 September 2017)

### ***Growth in UK mobile contactless spending***

According to new data from Worldpay, mobile contactless spending is accelerating on the UK high street, spurred by the growing popularity of contactless payments at the point-of-sale. Worldpay transactional data indicates that mobile contactless payments topped £370 million in the first six months of 2017, a huge 336% year on year rise in spending.

The use of mobile devices to make in-store payments has been growing steadily since the UK launch of Apple Pay in 2015, but according to Worldpay it is only really in the past 12 months that the technology has begun to gain widespread acceptance beyond 'early adopters,' further fuelled by the launch of Android Pay in 2016 and Samsung Pay earlier this year.

Supermarkets and grocery stores continue to dominate the mobile tap and pay market, accounting for 55% of total spend so far in 2017. Figures show that although Londoners still spend the most on their mobiles, as adoption is becoming more widespread across the UK.

Spending on all forms of contactless systems now accounts for 38% of all non-cash transactions in the UK. Total contactless spend in 2017 reached £9bn up to June, compared to £10bn throughout the whole of 2016. (Source date: 17 August 2017)