

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

Convenience is paramount (almost)

A new report has been issued by Mckinsey which looks at the future of shopping in terms of retail channels and methods of payment. The report was based on research undertaken across consumers in the UK, US, France and Germany.

One of the key findings of the report is that consumers are increasingly taking a multichannel approach to shop. 60% or more of consumers in Germany, the UK and US apparently utilise equally both online and offline shopping channels and will switch between mobile, online and instore as suits their needs best at the time. Shopping is all about convenience, ease and instant results. Convenience seems to be the driving factor, with the lines between online and offline channels becoming evermore blurred.

The research shows that nevertheless, the physical store remains the key means of shopping, although mobile shopping is a strong contender. Around 50% of consumers in all countries surveyed say the bulk of their shopping activity in the past year took place in a physical store.

For an increasing number of in-store shoppers, a frictionless mobile self-service checkout and payment experience that speeds up purchasing is becoming important. The use of smartphones and smartwatches to make in-store payments is becoming increasingly prevalent amongst consumers aged 18-39; despite in-store remaining a powerful channel, it is clear that the smartphone is now their second retail channel of choice. Smartphone payment was the top means of payment in this age group across all countries, with smartwatch payment the second most popular option.

This would seem to be supported in the UK by recent figures issued by UK Finance, which show that in January 2019, nearly a third of all card transactions in the UK were made using contactless cards - an increase of 15.5% from a year earlier, with the value of contactless card transactions showing an increase of 18.1%.

Another finding from the Mckinsey report was that consumers are not prepared to compromise on security or privacy in their quest for convenience. This includes Generation Z and Millennials, who as well as being the most internet and technology-savvy, are often typified as being more trusting and less concerned about privacy and security than other generations. However, the research reveals that younger age groups have similarly strong concerns about how their personal or sensitive information is used or protected.

Evolution of the retail experience, adoption of payment technologies and the development of payment methods and mechanisms and the supporting technologies are all intertwined and co-dependent. Nevertheless it is interesting to watch how the various trends and the associated consumer behaviours are emerging in an attempt to foresee how today's retail and payment landscape will develop.

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Products and Initiatives

Facebook closes Messenger P2P payments

Facebook is shutting down its P2P payment service in the UK and France after the Messenger-based service failed to gain traction with consumers. The company originally managed to get all the major UK banks and card firms onboard in 2017 for the service's first foray outside of the US, where it launched in 2015.

The two-way nature of the signup process appears to have been a significant stumbling block in take-up.

The ability to send and receive payments in Messenger in both the UK and France will be terminated effective June 15. However, the ability to complete other transactions, such as making donations to charitable organisations, will remain in place. (Source date: 16 April 2019)

JP Morgan launches SEPA instant payments in Europe

US banking giant JP Morgan is boosting its real-time payments offering by launching SEPA Instant in Europe.

The move adds to JP Morgan's real-time payment capabilities in USD, GBP and EUR and is "another step towards offering real-time payments around the globe," according to the bank. (Source date: 10 April 2019)

Big banks back new international blockchain alliance

Barclays, BBVA, Deutsche Boerse and Swift are among the financial services sector names to join a new collective promoting the development of a global framework for the development and adoption of distributed ledger technology.

More than 100 organisations from across different industries have signed up to the International Association for Trusted Blockchain Applications (Inatba), which grew out of a series of forums held by the European Commission.

Based in Brussels, Inatba will work towards the development and adoption of interoperability guidelines; promote an open, transparent and inclusive global model of governance for blockchain; and maintain a permanent dialogue with public authorities and regulators. (Source date: 3 April 2019)

Manchester to be test bed for finger vein payments

Manchester has been chosen as the global launch city for finger vein payments system, Fingopay. The technology, which uses finger vein ID technology for payments and ID, will launch in Summer 2019 following current negotiations with leisure and hospitality venues across the city.

With Fingopay, customers can link their vein signatures with their payment cards to pay using just their finger at a network of merchants. At tills, the unique pattern of the customer's vein is scanned, verifying payments in seconds through a cloud-based matching system.

Sthaler, the UK fintech company that developed Fingopay, has already successfully completed pilots at Festival Number 6, Proud bar Camden, Brunel University and Copenhagen Business School over the past two years. The company is now in advanced discussions with a number of venues across the city. (Source date: 1 April 2019)

Remitly uses Visa for debit card cross-border payments

US mobile money transfer outfit Remitly has teamed up with Visa to let Americans send funds to debit cards across borders. The new offering sees Remitly interface with the Visa Direct realtime push payments platform to make transferring money across borders faster and simpler.

Remitly plans to use Visa Direct to give its customers the ability to send payments to eligible Visa cards in real time. Eventually, it plans to add other sending markets. (Source date: 28 March 2019)

ING and Bank of Beijing to set up digital banking JV

ING and Bank of Beijing are collaborating on plans to set up a joint venture digital bank in China. ING will hold 51% and the Beijing Bank will hold a 49% stake in the JV. If approved, it will become China's first commercial lender in which a foreign shareholder has a controlling interest.

For ING, the JV offers an opportunity to channel its digital banking to a nation already softened up for

the online lifestyle by the likes of Alibaba and Tencent.

It also has a formidable partner in Bank of Beijing, which is the largest city commercial bank in China with over 500 branches across 12 domestic major cities.

The two banks have a long-standing relationship. The Dutch banking firm first acquired a minority interest in the China-based lender in 2005 and is currently the largest shareholder in BoB with a stake of 13%. (Source date: 27 March 2019)

Market News

TSB to reimburse all fraud victim customers

TSB has become the first UK bank to pledge to refund customers who fall victim to fraudsters, including authorised push payments scams. The announcement marks a significant step change in UK banking practices, where today customers are only refunded for fraud losses in limited circumstances.

While UK banks have signed up to a voluntary code to protect consumers from APP scams - in which customers are tricked into transferring cash to a fraudster's account - none has yet committed fully to reimburse customers who lose money this way.

Some £354m was lost last year through this type of scam, according to banking trade body UK Finance, but just £83 million was refunded to customers.

Consumer group Which? welcomed TSB's announcement, commenting that "banks are far better placed to spot and prevent scams than their customers..... All banks must now follow TSB's lead and ensure that their own customers are not left paying for the cost of this crime." (Source date: 15 April 2019)

CMA criticises big banks for Open Banking delays

The UK's Competition and Markets Authority has reprimanded five banks for dragging their heels over the delivery of Open Banking functionality within their mobile apps. The watchdog has issued Directions to five of the nine big banks mandated to open up their data to third party vendors.

The five banks - Bank of Ireland, Danske, HSBC, Lloyds Banking Group and Santander - were found to be mainly in breach of deadlines for app-to-app redirection functionality, forcing users to rely on desktop-only data sharing.

The enforcement Directions specify actions that the banks concerned must take, including the employment of external professional consultants to validate their plans and monitor their progress.

Commenting on the news, the CEO of Moneyhub says the failure of banks to meet their obligations is stunting the transformative potential of Open Banking. "While there is huge appetite among the fintech community to transform and revitalise the user experience, some high street banks are dragging their heels and holding back progress." (Source date: 9 April 2019)

MasterCard vows to give consumers control of digital identity

MasterCard is addressing the difficult subject of digital identity, setting out its vision for a system that gives individuals control and stresses the importance of inclusion, confidentiality and transparency.

How companies use consumer data in the digital era has been in the spotlight recently, with Facebook the most glaring example of a big tech firm that has found itself at the centre of a damaging privacy crisis.

Now MasterCard is offering a consumer charter-based system it says can help to restore trust in the digital world. The company has set out 10 principles on data rights and ownership, confidentiality, consent, transparency, security and inclusion that amount to a fundamental individual right: 'I own my identity and I control my identity data.'

The company says that its model is about privacy-by-design and does not aggregate identity data. Digital interactions will involve minimal data exchange and happen only when needed, with users in control and their identity bound to their phone. (Source date: 27 March 2019)

Hong Kong issues first virtual banking licences

The Hong Kong Monetary Authority (HKMA) has unveiled the first batch of virtual banking licenses, the latest in a series of moves to help spark innovation in the city and strengthen Hong Kong's position as an international financial hub.

The first three licences have been issued to Livi VB Limited, SC Digital Solutions Limited and ZhongAn Virtual Finance Limited, with all three expected to go live within the next six to nine months.

A spokesman for HKMA commented that “the introduction of virtual banks in Hong Kong is a key pillar supporting Hong Kong’s entry into the Smart Banking Era” and that it “represents a major milestone in reinforcing Hong Kong’s position as a premier international financial centre.”

Hong Kong is not short of banks, with the number of licenced institutions operating in the territory now standing at 155, but the HKMA is attempting to catch up with neighbouring countries in spurring a culture of innovation-driven competition. (Source date: 27 March 2019)

Worldpay becomes first acquirer to enable Amazon Pay

Amazon has struck a deal with Worldpay to let the acquirer's merchants add Amazon Pay as a checkout option.

Worldpay becomes the first acquirer to enable Amazon Pay for its merchants in the US. Online merchants simply add the option through Worldpay's API.

The partnership helps to take Amazon Pay outside of the ecommerce giant's own ecosystem and into the wider world, tapping into a Worldpay network that processes over 40 billion transactions a year.

Earlier in March Worldpay revealed that it has struck a deal to be acquired by rival FIS for \$35 billion. (Source date: 20 March 2019)

Mobile Money

Visa backs Branch for mobile-based lending

Branch International, a San Francisco-based startup that uses mobile phones to offer loans to people without bank accounts in developing countries, has closed a \$170 million Series C funding round led by Foundation Capital and Visa, which is also backing the firm through a strategic partnership.

Branch, which claims to be the most downloaded finance app in Africa, was launched in 2015. The firm collects data - including SMS and call logs, GPS information and contact lists - from users' Android handsets. Machine learning algorithms then decide creditworthiness and loan terms.

First launched in Kenya, Branch now also operates in Tanzania, Nigeria, Mexico and India. It has processed 13 million loans, worth \$350 million, for three million customers.

The startup plans to expand its reach in Africa, Latin America and India through the new Visa partnership that will see customers offered virtual prepaid card numbers that let them receive their credit at any ATM. (Source date: 8 April 2019)

Banco Santander issues mobile transaction fraud warnings

Banco Santander in the UK is to push tailored fraud warnings to customers appended to suspicious transactions initiated through its mobile banking app.

When making a payment or setting up a standing order via their mobile banking app, customers will now be asked to specify the reason for the transaction. Users will then be provided with a tailored fraud warning explaining how criminals might be manipulating them into transferring money.

If the customer feels uncomfortable with the payment after reading the warning, they can choose to cancel and click on an icon to speak to a Santander member of staff. They will also be given the option to delay a payment from their account, allowing them time to change their mind.

The bank introduced a similar set of options for users of its Internet banking service last year, in response to rising levels of authorised push payment fraud. The bank has also added fingerprint and facial recognition as an added layer of security for transactions requiring authentication through 3D-Secure over the mobile. (Source date: 8 April 2019)

T-Mobile enters mPOS market

T-Mobile is launching GoPoint, a new mobile Point of Sale (mPOS) device offering businesses free same-day funding and no software licensing fees. The company plans to win over businesses by eliminating surprise fees charged by rival suppliers, including security fees, audit fees, conversion fees, over-the-limit fees, and charges for same-day funding.

Instead, merchants that convert to GoPoint will pay 2.75% for debit and credit card transaction processing and are eligible for free funding on the same day. T-Mobile says it will also provide up to 99 employees of the business with tools, reporting, and insights to manage sales transactions, track inventory, and get analytics.

To accept card payments, businesses require a compatible smartphone or tablet with T-Mobile ONE service and a GoPoint card reader, the latter developed in concert with Tsys. (Source date: 28 March 2019)

Apple unveils credit card

Apple is launching its own credit card that will be tightly integrated into its mobile wallet and promises to help customers lead a "healthier financial life". Available in the US this summer, the titanium Apple Card is built into the Apple Wallet app on iPhones and is promising a simple application process, no fees, financial management tools, and top level security and privacy.

As widely predicted, the tech giant has teamed up with Goldman Sachs and MasterCard on the new venture. Users can sign up for the card in the Wallet app in minutes and start using it with Apple Pay in stores, in apps and online. There are no annual, late, international or over-the-limit fees while interest rates are "among the lowest in the industry" claims Apple.

For security and privacy, a unique card number is created on iPhone for Apple Card and stored in the device's Secure Element, a special security chip used by Apple Pay. Every purchase is authorized with Face ID or Touch ID and a one-time unique dynamic security code. The physical plastic will not have the embossed card number as a way to improve security in case a customer loses it.

With rivals Facebook and Google facing privacy concerns, Apple is stressing that it doesn't know where a customer shopped, what they bought or how much they paid. Meanwhile, Goldman has committed to not sharing or selling data to third parties for marketing and advertising. (Source date: 25 March 2019)