

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

Maintaining accessibility to cash

The use of cash and in particular its accessibility has been very much in the news in the UK recently. It is a topic of discussion for not only the finance industry but also the government and the media. Just this month Barclays undertook a volte-face in its decision to withdraw participation from the Post Office programme enabling cash withdrawal from current accounts, as a result of strong criticism from both government and consumer bodies.

UK Finance has just issued a report about cash and its accessibility (UK Cash & Cash Machines 2019), in which it details the latest key statistics about cash usage and how the market is changing.

Key findings of the report include:

- In the UK, cash payments represented 28% of all payments in 2018.
- There were 11 billion cash payments in the UK in 2018, a fall of 16% from 2017.
- Cash was the second most frequently used payment method in the UK in 2018 after debit cards, a fact which may surprise some people.
- There were 7% less cash withdrawals at ATM's in 2018 than in 2017. The total value withdrawn was down by 8%.
- The volume of cash machine withdrawals in 2018 was down by 17% from its peak in 2012.
- There were 63,360 ATMs in the UK at the end of 2018, down from 69,603 at the end of 2017.
- During 2018, 1.9 million consumers mainly used cash, 5.4 million rarely used cash.
- Cash payments are forecast to decline to 3.8 billion in 2028, accounting for fewer than one in ten (9%) of all payments in the UK.

The report demonstrates that cash usage continues to decline, with cash payments falling by 16% to 10.9 billion payments in 2018. As cash payments decline debit card payments continue to grow, with debit card usage overtaking cash as the most frequently used payment method in 2017 and usage figures increasing again in 2018. The significant growth in contactless card payments over the past few years has helped speed the migration away from cash as a payment method to cards.

However, cash remained the second most frequently used payment method. Familiarity with it as a payment method and its generally wide acceptance are recognised as helping it to retain its popularity, albeit on the decline.

Although at present we are not on the brink of becoming a cashless society, there is no doubt that we are moving towards a society where cash is used less than it once was. Nevertheless it should be

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recognised that cash remains an important feature of the payments landscape and access to it and the use of it continues to need to be supported.

Products and Initiatives

Royal Mint launches solid gold payments card

The Royal Mint has teamed up with Mastercard and Accomplish Financial to launch a solid gold payments card.

The 18 karat gold card gives users the benefits of a Raris account, with limitless spending, zero foreign exchange and transaction fees, and its own app.

The card, which is expected to cost £18,000, is made from source-traceable metals and is engraved with the owner's name and signature.

A spokeswoman for the Royal Mint says the card is being launched in "acknowledgement of growing consumer demands for unique and luxury payments cards". (Source date: 11 October 2019)

ING joins Dutch AI taskforce

ING has joined a taskforce to promote the development and acceptance of artificial intelligence technology in the Netherlands, part of a national initiative to halt a brain drain of talent to AI strongholds like the US and China.

The bank has joined forces with Ahold Delhaize, KLM, NS and Philips to form Kickstart AI. As part of the programme, ING will co-fund five AI academic positions in conjunction with Dutch universities, and actively promote a national course for AI to increase understanding and adoption of it.

Kickstart AI will also undertake a series of 'superchallenge' initiatives that aim to address societal issues, such as health or mobility.

Aside from being a member of Kickstart AI, ING has also joined the National AI Coalition, whose objective is to realise a joint approach to the technology through one, national knowledge and innovation network. (Source date: 11 October 2019)

Revolut to go global through new deal with Visa

Revolut is set to double its global footprint thanks to a global deal with Visa.

The company says the expanded relationship with Visa will bring its bank-like product offerings to five new regions, reaching 24 new markets for a total of 56 markets globally. Under the terms of the agreement, Revolut will primarily issue Visa-branded cards in the global expansion.

The agreement will enable Revolut to expand beyond its European stronghold and Australian outpost, beginning with launches in North America, Singapore and Japan. (Source date: 30 September 2019)

American Express uses Open Banking for account-to-account payments

American Express is to move into the account-to-account arena, enabling UK consumers to pay for goods and services online and on the go, directly from their bank account.

Set for launch later this year, Pay with Bank transfer will be a real-time payment option available via Open Banking APIs to current account holders at UK banks, regardless of whether they are American Express Cardmembers. The move acts as a counter to the incursion of account-to-account payments into the credit card business, mirroring similar recent initiatives by rivals Mastercard and Visa.

American Express has so far struck deals with Hays Travel, JustGiving, Oak Furnitureland, Richer Sounds, Royal Lancaster London hotel, and Thai Airways, who will each add a Pay with Bank transfer button to their online checkout options.

Consumers will be able to make online payments without a card to hand, view their bank current account balances prior to confirming payment, and will benefit from bank-level data security. (Source date: 23 September 2019)

Market News

Vocalink wins Link ATM deal

Vocalink has retained its role as technology provider to the UK's Link ATM network, beating four

alternative suppliers for a five to 10-year contract for the provision of ATM switching and settlement services. These comprise real-time, 24x7 ATM switching and settlement services, including real-time transaction enquiry and liability management, overnight reconciliation, and settlement via Swift to the Bank of England Real Time Gross Settlement (RTGS) system.

Currently around 70,000 ATMs in the UK are connected to the Link Network with 3.1 billion customer transactions being made in 2017.

The move to put the contract up for competing bids followed demands from the UK's Payment Systems Regulator to inject an element of competition into the provision of national central infrastructure services. It is the first time the contract has been put out to competitive tender.

The tender attracted bids from more than five organisations including Visa, FIS, and the incumbent technology provider Vocalink. (Source date: 15 October 2019)

Setback for Facebook's Libra project

Following PayPal's decision to leave the Facebook Libra digital currency project earlier this month, eBay, Stripe, Visa, Mastercard and Mercado Pago have all followed suit.

Mastercard and Visa were both known to be weighing their ongoing participation at the time of PayPal's departure; matters came to a head late last week when two Senate Democrats urged the two card schemes and Stripe to pull their support for the controversial project.

In a statement, Visa says: "Visa has decided not to join the Libra Association at this time. We will continue to evaluate and our ultimate decision will be determined by a number of factors, including the Association's ability to fully satisfy all requisite regulatory expectations."

The news is a major setback for Facebook, which is battling on multiple fronts to keep its cryptocurrency vision alive. The Libra Association was seen as a major plus point for the currency, adding a sheen of respectability at a time when Facebook is being highly criticised over privacy concerns. (Source date: 14 October 2019)

Funding agreed for P27 cross-border payments platform

Six Nordic banks have agreed to fund the development of a cross-border real-time payments platform as part of the P27 collective.

Danske Bank, Handelsbanken, Nordea, OP Financial Group, SEB and Swedbank have signed a shareholders' agreement, agreed a business plan, and made a financial commitment that will cover all costs up until the company is financially sustainable. The ambition is to launch the payments platform in 2021.

P27's initial goal is to enable real-time, batch, domestic and cross-border payments to be carried out quickly and at low cost between people and businesses within the countries of Denmark, Finland and Sweden.

In June 2019, an agreement was signed with Mastercard to operate the payments platform. The next step for P27 is to obtain the necessary clearing licence and merger filing approvals, as well as continuing to develop the clearing platform together with Mastercard. (Source date: 10 October 2019)

Barclays changes mind over Post Office cash withdrawal support

In the face of heavy criticism by regulators and consumer groups for opting out of a deal that lets customers withdraw cash at UK Post Offices, Barclays has now rescinded its decision to leave.

The Post Office had reached a three year agreement with 28 banks and building societies to ensure that their customers can withdraw cash using a debit card but one major lender, Barclays, did not sign up.

With ATMs and bank branches being closed across the country, the deal between banks and the Post Office is seen as an important way of ensuring UK consumers still have easy access to cash. The Business, Energy and Industrial Strategy (BEIS) Committee called the initial move a "highly retrograde step" and indicated that it intended to question Barclays on its impact. Consumer group Which? branded the move a "shocking decision".

Barclays commented that it had been persuaded to rethink its proposals by the argument that the bank's full participation in the Post Office Banking Framework is crucial at this point to the viability of the Post Office network. (Source dates: October 2019)

Link sets up ATM fund

UK ATM network Link has set up a £1 million fund from which communities can draw in order to install a free cash machine. Consumers can apply to the Community Access to Cash Delivery Fund through their MP, local council, or directly from Link, assuming the community meets the qualifying criteria, which includes distance to nearest free ATM, availability of a Post Office, site security and a suitable location.

The move comes amid widespread concern about the removal of fee-free cash machines and bank branches in small communities.

UK Finance believes that solutions to the access to cash challenge will be found through collaboration beyond the banking and finance industry. A spokesman for the industry body said that as the challenges and opportunities faced in securing appropriate access to cash and payment services for consumers are shared by the whole of society, it was calling for partners across industries, including telecommunications and 'Big-Tech' companies, retailers and payment innovators, to engage on the solutions.

Link has announced five new pilot sites in Battle, Bungay, Nuneaton, Tywyn in Wales, and Durness in Scotland, where a new ATM would be directly commissioned. These new ATMs will be funded by a levy on Link's bank and building society members. More sites that will get a free ATM have already been identified and are Deal, Ebbw Vale, Margate, Middleton, Wilmslow and York. (Source date: 2 October 2019)

PayPal awarded Chinese payments licence

PayPal has become the first foreign firm to obtain an online payments licence in China after buying a 70% stake in Guofubao Information Technology Co (GoPay). The PayPal CEO said the People's Bank of China has approved the GoPay acquisition, with the deal set to close in the fourth quarter.

GoPay holds a payment business licence, meaning that PayPal becomes the first foreign company to enter the Chinese market almost two years after Beijing promised to open up.

The likes of Visa and Mastercard have not had their licence applications approved, despite the central bank's pledge last year of "equal treatment" for domestic and foreign providers.

PayPal will be able to offer online, mobile and cross-border renminbi payments, taking on market giants WeChat Pay and Alipay. (Source date: 30 September 2019)

Euro area card payments double

The number of card payments in the euro area has more than doubled in a decade as consumers increasingly dispense with the hassle of carrying notes and coins, according to the latest statistics from the European Central Bank, with an average of 121 card payments per capita in 2018, compared to 56 in 2008.

In 2018, card payments accounted for almost half of the total number of non-cash payments across the single-currency area.

Credit transfers and direct debits were the second and third most common non-cash payment methods, accounting for approximately 23% each, while e-money and cheques together made up around seven percent.

However, the relative popularity of each type of payment service varies widely across euro area countries. In 2018 card payments accounted for just over 70% of all non-cash payments in Portugal, compared with around 23% in Germany. (Source date: 27 September 2019)

Over a third of UK bank branches closed in past five years

New research from Which? reveals that more than a third of the UK's bank branches have shut since 2015 while hundreds of those that remain have reduced their opening hours. Apparently between January 2015 and August 2019 there were 3,303 closures (34%) in that period - reducing the national total from 9,803 to 6,549.

The closures were primarily driven by the 'Big Four' banks, with RBS Group cutting its network by 56%. HSBC reduced its network by 42% with 442 closures, and Barclays closed at least a third of its branches (33% and 481 closures), although the true figure could be higher as the bank did not share full closure information with Which?.

In contrast, Nationwide retained an impressive 96% of its branches, following a pledge to keep its last branch in any town or city open until at least May 2021.

Of all the UK's bank branches that remain open, 298 are now operating with reduced opening hours of four days a week or less. Yet with around a third (30%) of the UK population still not using online banking, Which? says banks must explore more innovative ways to ensure those who rely on face-to-face banking are able to access it. (Source date: 24 September 2019)

Mobile Money

NatWest to trial biometric credit card

NatWest is to begin a three-month trial of biometric fingerprint credit cards with 150 customers. The bank has previously piloted biometric debit cards, but this will be the first-time credit cards have been issued. The biometric credit cards will offer contactless payments using fingerprint verification for transactions up to £100, an increase on the current £30 limit.

The card is powered through the card terminal and when a customer presents a card, a green light on the card indicates that the fingerprint has been matched successfully.

NatWest is working with Mastercard and digital security company Gemalto to bring the service to customers in the UK. (Source date: 9 October 2019)

International money transfers and virtual debit card for Samsung Pay

American users of Samsung Pay can now send money overseas and sign up for a virtual Mastercard debit card.

Samsung has teamed up with London-based Finablr on the money transfer feature, which lets American users send funds to 47 countries through a variety of methods from within the Samsung Pay app. The service uses the distribution capabilities of Finablr, owner of Travelex, to let recipients pick up their money through several options - from bank deposits to cash available for pick up.

Samsung has also partnered Mastercard and Netspend on Samsung Pay Cash, a virtual card that lets US customers request, send or add money to it through any other card in Samsung Pay. The card can then be used wherever Mastercard is accepted. (Source date: 4 October 2019)

SIA brings contactless payments to Rome's public transport system

Romans can now pay for their railway and subway journeys with their contactless cards and NFC-enabled mobile phones, thanks to technology from SIA.

Public transport operator Atac is using SIA's technology infrastructure to enable the Mastercard, Visa or American Express contactless payments at turnstiles throughout Rome.

The system allows Atac to manage, authorise, account for and settle payment transactions and calculate the best fare according to the number of journeys made. (Source date: 19 September 2019)