



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

From 2019 into 2020

Looking back over 2019, there has been both a continuation of the previous year's trends and the emergence into the public domain of new developments and themes in the payments arena.

In general the 'Big Tech' companies such as Apple, Facebook, Google and Amazon have continued their attempts to establish themselves as significant players in the payments market and to carve roles out for themselves which are integral to payment processes and highly attractive to consumers for reasons of convenience.

One of the key emerging areas of discussion during the year was the development of a new cryptocurrency after Facebook announced in May that it is looking to develop Libra, its own digital currency. This has prompted major debates about the threats it may pose, particularly in terms of security and whether it threatens national currencies, as well as proposals for an alternative bank-backed development in the EU to compete with it on a more regulated basis. It will be extremely interesting to see how this whole topic area evolves during next year.

Mobile technology continues to play an ever increasing role in payments, with the mobile phone device ever more used as a repository of payment means without the necessity to produce a plastic.

The continuing prevalence of contactless payments has triggered more discussions regarding the use and requirement for cash and a recognition that however ubiquitous non-cash payment methods become, there will be an impact on the disadvantaged sections of society who are reliant on cash as a payment method.

In terms of regulatory developments, on the security front, the introduction (and delayed enforcement) of Strong Customer Authentication (SCA) has impacted all parties in the payment chain. As part of this initiative, consumers are finding themselves reliant on smart phones to be able to complete the verification process, helping to increase the dependence on the mobile phone in payments.

Whilst fingerprint recognition as a technology continues to be widespread, facial recognition is becoming more prevalent, particularly in the world of banking apps.

The Challenger banks continue to do just that to the established high street banks with the result that these traditional bodies are focussing on how they can become more flexible and responsive to customer needs, with many introducing mobile functions in the business to be able to compete with the more nimble digital competition.

As 2019 has demonstrated, the payments industry is subject to continual evolution and remains an area

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of exciting change and development which will continue and progress into next year and beyond. Savantor wishes the very best for 2020 to all our MarketEye readers.

Products and Initiatives

Swedish central bank develops e-krona pilot

The Riksbank, the central bank of Sweden, is about to sign a deal with Accenture to develop a digital currency, the 'e-krona', in a test environment.

With cash usage dwindling in Sweden, the Riksbank started a project in the spring of 2017 to examine the scope for the creation of a central bank digital currency (CBDC) that could ensure that the general public will still have access to a state-guaranteed means of payment.

The bank now says it is ready to sign with Accenture for a year-long pilot project that will see the development of a technical platform with a user interface that enables e-krona payments from cards, mobile phones and wearables.

The partnership is for an initial run to 31 December 2020 but could last for seven years if the Riksbank decides to go further with the plan and pilot new functions. The bank stresses it has not yet decided whether it will actually issue the e-krona. (Source date: 13 December 2019)

HSBC signs global deal with Open Banking company Bud

HSBC has expanded its relationship with Bud by striking a global deal to access the startup's Open Banking aggregation, data intelligence and marketplace APIs.

The deal will see a phased rollout of Bud's technology, initially within first direct, with HSBC's UK bank set to follow suit later in 2020. The three year agreement also covers scope for rollout in other HSBC markets, and for access to Bud's rent recognition and utility switching services.

Bud has worked with HSBC in the UK since February 2018 when it launched a proof-of-concept app with first direct, which ran for a year in the FCA Sandbox and tested a number of features including financial management tools and third-party product marketplace functionality. (Source date: 11 December 2019)

Mastercard trials digital identity technology

Mastercard is carrying out the first pilot of a digital identity programme designed to let people prove who they are immediately, safely and securely in both the digital and the physical world.

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.

Earlier this year, Mastercard published a vision paper setting out 10 principles on data rights and ownership, confidentiality, consent, transparency, security and inclusion, with a central theme of 'privacy-by-design'.

The payments giant has now teamed up with Deakon University in Australia to pilot an identity verification process for student registration and digital exams. A separate partnership with Australia Post will integrate the agency's existing Digital iD solution and expand the ability for Australians to identify themselves easily when accessing services. (Source date: 11 December 2019)

Mastercard to offer cardholders CO2 emissions tracker

Mastercard announced at the COP25 climate summit in Madrid that it is extending its collaboration with Swedish fintech Doconomy to offer cardholders carbon footprint tracking based on purchases made through the Bank of Åland's cloud-based Åland Index.

Nordea and Bank of the West also announced they would be joining the Finnish financial institution in its effort to combat climate change with the benchmark climate index, enhanced with data through the recent partnership with S&P Global's Trucost.

The Åland Index links each transaction to its impact on the environment and for this service, Doconomy has been named a partner to the United Nations Framework Convention on Climate Change (UNFCCC).

Mastercard also made an equity investment in Doconomy to scale the carbon tracking and offsetting

platform. (Source date: 10 December 2019)

Saga launches global, stabilised digital currency

Saga, a global, democratic, stabilised, non-anonymous digital currency, launched this month in an effort to build towards "worldwide money". The Saga token (SGA) is designed to allow "global citizens" to store and move value without friction across borders.

London-based Saga stresses that it wants to complement, not replace, existing national currencies, working in collaboration with banks and regulators to act as a bridge that will bring digital currencies into the mainstream.

SGA wants to replicate the mechanics of central bank national currencies and apply them on a global scale. The currency is governed by its holders, who can vote for the executive council managing the project. SGA is also backed by a reserve of assets, which act as a stabilising mechanism to reduce volatility and holders have to undergo online KYC checks.

The key feature of the Saga monetary model is a blockchain-based, liquidity provider: a smart contract that adjusts the supply of tokens to meet market demand, and to limit the impact of fluctuations in market confidence on SGA price. The proceeds of issuing new SGA tokens are kept in a reserve, held in regulated banks and stored in liquid assets that replicate the currency composition of the SDR. (Source date: 10 December 2019)

Cornèrcard launches biometric credit card

Switzerland's Cornèrcard has teamed up with Gemalto and Visa to launch the country's first credit card featuring a biometric fingerprint reader.

To register a fingerprint on the limited edition Cornèrcard biometric gold Visa credit card, users touch a sensor, with an LED signalling the successful capture.

For the first transaction with the card, users enter a PIN. After this, they can confirm payments at the point of sale by touching the sensor on the card with their finger. (Source date: 21 November 2019)

PayPal to buy online rewards platform Honey

PayPal has agreed its largest ever acquisition - a \$4 billion deal to buy Honey Science Corporation, the firm behind a browser extension and app that helps people find online shopping rewards and deals. Founded in 2012, Honey is best known as a popular discovery tool that helps consumers find savings as they shop online. Over the years it has added other features, such as a mobile shopping assistant, an offers and rewards programme, and price-tracking tools and alerts. The firm has 17 million active users.

PayPal says the acquisition will help it reach shoppers at the beginning of their journey, a vital advantage in the battle for e-commerce customers against a new rivals such as Apple Pay, Google Pay and Facebook Pay.

For its part, Honey will get access to PayPal and Venmo's 275 million consumer accounts, as well as 24 million merchant accounts.

According to PayPal, "Honey is amongst the most transformative acquisitions in PayPal's history. It provides a broad portfolio of services to simplify the consumer shopping experience, while at the same time making it more affordable and rewarding." (Source date: 20 November 2019)

Market News

ICBC, Alibaba and Ant Financial strengthen partnership

ICBC - the world's largest bank in terms of assets - will work with Alibaba and Ant Financial by leveraging their collective expertise in electronic payment settlement and cross border finance to promote the wider use of digital technology in financial services.

The Chinese companies aim to improve the quality of fintech products and services with smart technologies and product innovation, expanding on the collaboration that began in March 2005 after Alipay and ICBC partnered to provide digital payments. (Source date: 16 December 2019)

Visa and MFS Africa team up on digital payments

Visa is joining forces with MFS Africa to simplify remittances and expand global e-commerce across Africa. Whilst Africa has pioneered mobile money, with the likes of M-Pesa in Kenya leading the way,

without a virtual or physical network credential associated with them, many international online services are unavailable to users.

To help solve this problem, MFS Africa - Africa's largest digital payments hub, connecting through one API more than 180 million mobile wallets on the continent - will distribute Visa payment credentials across more than 15 markets.

This will allow mobile money users connected to the MFS Africa platform to generate an instant Visa virtual card with a 16-digit number and link it to their mobile money accounts to use for remittances and e-commerce transactions.

MFS Africa will also integrate Visa's real-time push payments platform, Visa Direct, to provide mobile money users a fast and secure way to send and receive money and remittances directly from and into their digital wallets via eligible card credentials. (Source date: 12 December 2019)

Benefits of identifying the unbanked population

A new report by Oxford Economics and San Francisco-based fintech Juvo projects that providing financial identities to the world's unbanked population could add \$250 billion to global GDP. Bringing people in the developing nations of Asia and Latin America into the formal global economy would be the equivalent of adding a country of 95 million people to global production, the report states.

The research utilised alternative data and machine learning to build financial identities for the world's unbanked population, standing at 1.7 billion people according to the World Bank, and projects the effect this would have on the world economy.

Oxford Economics devised a scenario in which telco companies create financial identities and credit scores for their unbanked customers, enabling consumers to build up to larger transactions and gain access to other financial services. Juvo believes this would help to "unlock overlooked sources of cash".

As well as adding \$250bn to global GDP, Oxford Economics believes this would bring \$408bn in global credit availability, \$512bn in household savings and a 6% increase in GDP per capita in low-income countries. (Source date: 11 December 2019)

New rules considered to curb Big Tech data advantage

Global banking regulators say the arrival of Big Tech firms like Google, Amazon and Apple in financial services poses a number of stability risks that may require extensive new laws to level the playing field with smaller tech firms and banks.

Whilst the report by the Financial Stability Board acknowledges that the entry of Big Tech firms into finance has numerous benefits, including the potential for greater innovation, diversification and efficiency in the provision of financial services, it also concludes that these firms may also pose risks to financial stability.

Some risks are similar to those from financial firms more broadly, stemming from leverage, maturity transformation and liquidity mismatches, as well as operational risks. However more worrying is Big Tech's capacity to scale and ultimately come to dominate given their significant resources and widespread access to customer data.

The FSB hints that the imposition of Open Banking rules that force incumbent financial services firms to share customer data with third party providers, may have to shift into reverse in the case of Big Tech, to create a more level-playing field for banks and smaller fintech firms to compete. (Source date: 9 December 2019)

EU highlights Libra concerns

Facebook's Libra project has faced a barrage of push-back from politicians and regulators since it was unveiled by Facebook and its partners earlier this year, prompting the likes of Visa, Mastercard, PayPal and Stripe pull out the project.

Now European authorities are warning that no global stablecoin systems will be allowed to operate in the EU until legal, regulatory and oversight issues have been addressed. Echoing, among others, the G7 working group on stablecoins, the European Commission and the European Council (comprised of the leaders of EU member states), have made clear their concerns about any such initiative.

Without naming names, these two bodies have issued a statement saying that "Some recent projects of global dimension have provided insufficient information on how precisely they intend to manage risks and operate their business. This lack of adequate information makes it very difficult to reach definitive

conclusions on whether and how the existing EU regulatory framework applies."

Furthermore, any entity that wants to work with stablecoins in the EU should provide all the necessary information "urgently" so that an assessment against applicable existing rules can be made. If the current rules are not adequate for the stablecoin era, the Commission and Council say they will work "swiftly" with others to develop an EU-wide approach to the issue. (Source date: 6 December 2019)

ABN Amro shuts down half its ATMs

ABN Amro has shut down and emptied 479 cash dispensers as an emergency response to a sharp rise in ATM explosive attacks. The drastic measure follows a rise in attacks targeting "a certain type of cash dispenser" used by the Dutch bank at locations across the country.

The shut down has closed off more than half of the bank's 800-plus ATM estate.

The Bank says that it understands "that this measure may inconvenience people seeking to take out cash, but the safety of local inhabitants and businesses are our prime concern."

Recent figures from the European ATM Security Team showed that the number of physical attacks on ATMs in Europe has risen for the fourth consecutive year, rising by 27% when compared with 2017 (up from 3584 to 4549 incidents), and causing losses of EUR36 million, a 16% increase on 2017. The average cash loss per solid explosive attack is estimated at EUR27,065. (Source date: 3 December 2019)

UK banks extends APP fraud compensation deadline

The UK's largest banks have committed to extend funding to reimburse customers who fall victim to authorised push payment fraud by three months, pushing the expiry date for the interim arrangement from December to March 2020.

The move follows a rejection by Pay.UK of proposals from the banks to levy a per transaction fee for certain Faster Payment transactions as a means to provide a long-term, sustainable funding arrangement. The decision was prompted by an industry-wide consultation which found "no industry consensus" to finance a central fund to reimburse innocent victims of APP fraud.

The banks say they have agreed to continue the funding deadline to allow more time to consider Pay.UK's alternative recommendations on long-term funding arrangements. They are keen on a move to legal redress that takes into account the responsibilities that organisations outside the finance sector have in tackling fraud.

UK Finance says that it shares the Treasury Committee and Which? view that issues of liability and reimbursement should best be addressed by new laws rather than just a voluntary Code alone and will continue to call for new legislation to make the Code mandatory to ensure that victims are protected and reimbursed. (Source date: 27 November 2019)

ECB offers support to alternative to Visa and Mastercard

The European Central Bank has welcomed an initiative by some of Europe's top banks to explore the development of a rival payment system to challenge the dominance of Visa and Mastercard and the threat from Chinese and US Big Tech firms.

Backed by twenty French and German banks, the Pan European Payment System Initiative (Pepsi) would seek to handle all forms of cashless transactions.

A speech by an ECB board member calls on the banks backing the scheme to develop a clear roadmap "so that we can see tangible actions emerge soon".

Public policy initiatives may apparently also be considered to help such private sector solutions along, for example by imposing legislation obliging payment service providers to adopt instant payments within a certain period if a critical mass has not been reached by, say, the end of 2020. The ECB also supports the research by central banks into the development of digital currencies as demand cash for tails off. (Source date: 26 November 2019)

Mobile Money

Orange Bank brings Google Pay to all Android users

Orange Bank is offering Google Pay to all Android-using customers after entering a partnership with German fintech Wirecard. This collaboration is a continuation of the partnership between Wirecard and Orange Bank which dates back to 2014 and most recently brought mobile payments to Romania.

The French online bank estimates that 200,000 of its 500,000 customers will make use of Google Pay via their Orange Bank account.

Technology partner Wirecard states that 17% of mobile payments in France in 2018 were made using the Orange Bank app.

Formed by the telecommunications company of the same name, Orange Bank launched in France in November 2017, and now has over 500,000 customers, tapping into the mobile-prevalent banking and payments market in the country. Research by eMarketer finds that mobile access to bank accounts in France stands at around 70%. (Source date: 10 December 2019)

Starling Bank offers legal services

Starling Bank has announced a partnership with legal services provider Sparqa, the latest addition to the challenger's in-app Marketplace.

The lawtech partnership will provide Starling's 88,000 small business customers with customisable and affordable legal services, enabling them to access a wealth of legal information tailored to their specific commercial needs.

Designed by leading UK barristers and solicitors, Sparqa enables businesses to reduce costs by minimising reliance on traditional legal services. Employment contracts, commercial agreements and trademark applications, to documents covering health and safety and data protection, among others, are provided by the lawtech.

This type of lawtech partnership is likely to become more prevalent throughout 2020 as banks look to prioritise customer experience by streamlining services across their platforms, and startups with a targeted customer base look for more avenues to connect with the consumer. (Source date: 9 December 2019)

Nets trials facial recognition

Nets has launched a pilot programme testing facial recognition at a cafeteria in Denmark.

Around 1,000 people – who work at Vibenshuset, an office community of 25 companies in Copenhagen - can sign up to participate in the pilot, which links their face with their employee ID card to pay for lunch by staring into a screen.

The trial follows an earlier experiment at Copenhagen Business School with biometric vein pattern recognition, which has so far successfully passed 22,000 transactions. (Source date: 9 December 2019)