



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: +44 20 7868 1734  
email: [info@savantor.com](mailto:info@savantor.com)  
[www.savantor.com](http://www.savantor.com)

### Items in this issue:

<b>Savantor's View</b> .....	1	Amex progresses entry into Chinese market .....	3
Looking forward .....	1	Canadian banks target of domain name spoofing scam ..	4
<b>Products and Initiatives</b> .....	2	UK regulators shape digital data strategy .....	4
Raisin prepares for US launch .....	2	Travelex hit by cyber-attack .....	4
Banco Sabadell and TSB contract with IBM for cloud services.....	2	Security concerns cause Australia to delay Open Banking roll out.....	4
Visa to acquire Plaid for \$5.3 billion.....	2	FCA invites input on new model for open finance .....	5
BBVA explores financial product sales via Amazon .....	2	<b>Mobile Money</b> .....	5
Deutsche Bank to launch 'Motion Code' card in Spain .....	3	Visa unveils Tap to Phone contactless payments programme .....	5
<b>Market News</b> .....	3	Google Pay co-founders to build neo-banking platform ...	5
Belgium's big four banks to build shared ATM network .....	3	Tencent and UnionPay integrate QR code systems .....	5
Dixons Carphone fined £500k over major data breach .....	3		

## Savantor's View

### Looking forward

As we enter both a New Year and a new decade, we can pause and consider the trends and/or predictions which seem likely to shape the payments market over the coming few months.

Whilst the market has always been influenced by consumer choice, this is becoming even more pronounced with the range of options available for everyday banking driven predominantly by new banking technology, including banking apps, Challenger banks, Open Banking and the ease and speed of account switching. The growth in the use of financial apps is due to a great extent to the convenience of managing transactions by mobile phone. Convenience together with lifestyle choice has resulted in a challenge to choice driven by brand loyalty, which has helped the new Challenger banks, as well as digital offerings from the incumbent banks, to succeed.

The role of big technology companies such as Google, Amazon, Facebook and Apple continues to have significant impact upon the payments sector. These companies already have significant interest in many areas which are evolving within the sphere of payments, such as social media, AI and wearables; now they are actively searching for ways to enter into the financial services, for example, the Apple credit card. The potential for payment capabilities of these companies is likely to play a significant role in the payments market over the next few years.

It will also be interesting to see how cryptocurrencies evolve and whether they develop a leading role within payments. The announcement about the Libra currency from Facebook last year initially generated a lot of excitement and drew both positive and negative feedback; since then however it seems to have become weighed down with opposition from both government and regulatory bodies and whether it can manage a way past these hurdles to become an acceptable and accepted mainstream form of payment will be key to its attempts to establish itself.

Alongside all the positive developments within the industry, fraud and security will continue to be an area of growth. The use of two-factor authentication (2FA) is now widespread and strong customer authentication (SCA) is in the process of being fully rolled out.

Biometrics using finger, iris or voice recognition is now widely used as a means of security ID for payments and is likely to play a growing role in preventing fraud as technology becomes more refined. Nevertheless, incidents involving not only individual fraud but the hacking of major systems – Travelex is one of the most recent examples – are likely to continue.

Finally, there has been much discussion about the future role of AI and it seems likely that its use within payments will grow and develop further, particularly in helping make payments more secure and reducing fraud. AI technology will allow payments to be made more intuitively (think Alexa and Siri) with

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.

minimal input from the user; a trend likely to be welcomed by consumers from the perspective of convenience.

Whilst the points above are not intended to be an exhaustive list of future trends, they nevertheless provide an indication of the way the market is evolving and some of the key areas which seem likely to play a noticeable role going forward.

## Products and Initiatives

### *Raisin prepares for US launch*

European savings marketplace organisation Raisin is acquiring Choice Financial Solutions for its push into the US market. Raisin will license Choice FS's software to American banks and credit unions to enable them to offer customers customised, flexible deposit accounts tailored to their short and long-term needs. These products will also be offered directly to consumers via the Raisin US platform, which will launch soon.

Launched in 2013, Berlin-based Raisin offers an EU-wide deposit marketplace that has brokered EUR18.5 billion for 200,000 customers, working with 90 partner banks.

In July, the company raised EUR25 million from Goldman Sachs for the planned 2020 push into the \$12.7 trillion US savings market. (Source date: 15 January 2020)

### *Banco Sabadell and TSB contract with IBM for cloud services*

Banco Sabadell has signed a ten-year deal with IBM to advance its hybrid cloud strategy, while UK subsidiary TSB has also contracted with the company to rebuild its technological infrastructure after last year's disastrous IT meltdown.

For Sabadell, the deal is intended to simplify the Spanish bank's dispersed technological infrastructure so that it can move and manage data, services and workflows across multiple clouds, overcoming the traditional friction between applications and infrastructure.

At TSB, the agreement with IBM follows the Bank's pledge to invest £120 million to transform digital channels over the next three years, and builds on TSB's commitment in March 2019 to consolidate its IT operations and optimise how it runs its IT infrastructure and supplier relationships.

The services agreement will see IBM build and manage TSB's private cloud environment, running services across TSB's core banking platforms with all of the infrastructure being operated and managed by IBM under supervision by TSB, rather than its Spanish parent, which was heavily implicated in last year's IT fiasco. (Source date: 15 January 2020)

### *Visa to acquire Plaid for \$5.3 billion*

Visa is to pay \$5.3 billion to acquire bank data sharing startup Plaid. Plaid's products enable consumers to conveniently share their financial information with thousands of apps and services: today, one in four people with a US bank account have used Plaid to connect to more than 2,600 fintech developers across more than 11,000 financial institutions.

Visa, alongside rival card network Mastercard, joined a \$250 million financing round in Plaid in September last year, that gave the company a \$2.65 billion valuation. Previous investors in the start-up include the likes of Citi, Goldman Sachs and American Express.

Plaid's fintech-centric business opens new market opportunities for Visa both in the US and internationally, while providing a gateway to building closer relationships with fintech startups.

The company is also looking to expand beyond US borders, tapping in to the enthusiasm for Open Banking across Europe and other markets internationally. The company is opening a UK office to support European expansion and is initially supporting integrations with eight of the UK's biggest banks and neobanks, giving British fintech businesses instant access to 70% of personal current accounts in the country. (Source date: 14 January 2020)

### *BBVA explores financial product sales via Amazon*

Spain's BBVA is exploring the potential of selling financial products on Amazon. The initial foray will see the bank join with renowned Spanish restaurant El Celler de Can Roca on the sale of a collection of products from the Michelin three-star restaurant's recycling project, as well as Rocambolesc, chocolates and sweets crafted by Jordi Roca, the confectioner of the family.

BBVA says it intends to move into offering banking products on the platform, using the pilot project as a way to trial the functionality of Amazon as an online store front for the bank's financial services.

The bank commented that "Currently BBVA already sells close to 60 percent of its products over digital channels. Selling through Amazon would extend online sales opportunities, complementing the bank's proprietary digital channels." (Source date: 2 January 2020)

### ***Deutsche Bank to launch 'Motion Code' card in Spain***

Deutsche Bank in Spain is to issue a credit card with a dynamic CVC code that changes every four hours, in an attempt to create a safer shopping experience for online purchases.

The German bank has teamed up with Mastercard and Idemia to launch the 'Motion Code' card under the brand name Tarjeta Calma.

Idemia's Motion Code technology consists of a dynamic cryptogram changing randomly to provide better security for online payments by preventing data theft and cloning.

Other European banks to have tried out dynamic CVC technology include SocGen, BNP Paribas, and BPCE. (Source date: 2 January 2020)

## **Market News**

### ***Belgium's big four banks to build shared ATM network***

Developments in the payments landscape are prompting banks to reconsider their proprietary ATM networks, partly because of the serious investments that continually have to be made in stocking ATMs and implementing security measures. As a result, Belgium's big four banks are joining forces to set up a network of bank-neutral ATMs, with the aim of accommodating changing customer behaviour towards the use of cash.

Belfius, BNP Paribas Fortis, ING and KBC say the arrival of contactless and mobile payments has led to a significant decline in the use of cash and a sharp downturn in cash withdrawals from ATMs.

Under the proposal, the banks say 95% of people in Belgium would have access to an ATM no further than five kilometres away, with many installed off-premises or at standalone sites. The roll-out of the new network will be phased, with the first new ATMs appearing around mid-2021.

The initiative is in line with recent moves towards shared distribution in the Netherlands, which itself followed the Swedish model of having a dedicated brand for cash machines. (Source date: 10 January 2020)

### ***Dixons Carphone fined £500k over major data breach***

UK consumer electronics retail group Dixons Carphone has been fined £500,000 after hackers compromised its point-of-sale system and gained access to the details of 5.6 million payment cards. The Information Commissioner's Office (ICO) imposed the fine, judging that Dixons Warehouse had failed to properly secure the system before the attack.

Hackers managed to install malware on 5390 POS devices at Currys PC World and Dixons Travel stores between July 2017 and April 2018, collecting personal data during the nine month period before the attack was detected.

The breach gave unauthorised access to 5.6 million payment card details used in transactions, and the personal information of approximately 14 million people, including full names, postcodes, email addresses and failed credit checks from internal servers.

The ICO says Dixon Warehouse breached the Data Protection Act 1998 by having poor security arrangements and failing to take adequate steps to protect personal data. This included vulnerabilities such as inadequate software patching, absence of a local firewall, and lack of network segregation and routine security testing. (Source date: 9 January 2020)

### ***Amex progresses entry into Chinese market***

American Express has taken another step towards entering the Chinese payments market after the country's central bank accepted the US firm's application to start a bank card clearing business. The People's Bank of China confirmed the acceptance on its Wechat account. It now needs to give its final approval.

Amex had already secured approval, in November 2018, to clear card payments in China. The firm has set up a joint-venture with China's LianLian to build a network business that will enable charges on American Express branded cards to be cleared and settled domestically by the joint-venture.

Up until now, foreign card companies have had to partner with state-controlled monopoly UnionPay for access to the country's payments network.

However, China has decided, following almost a decade of lobbying by US firms, to open up the \$27 trillion market. Both Visa and Mastercard are trying to follow Amex's lead. (Source date: 9 January 2020)

### ***Canadian banks target of domain name spoofing scam***

Canadian banks have been the target for an under-the-radar long-term attack by Ukrainian hackers, who registered more than 300 spoof domain names in an attempt to dupe customers into revealing their account codes at bogus Web sites.

Uncovered by CheckPoint, a provider of cyber security solutions, the attack starts by sending legitimate-looking e-mails containing a PDF attachment to multiple organizations and victims from Canada.

The PDF attachment uses the bank's logo, as well as an authorisation code that the victim supposedly needs to renew their digital certificate. When the victim clicks on any of the URLs which appear in the document, they are led to a phishing page asking them to enter their online credentials.

According to Checkpoint, this has been an ongoing phishing attack targetting customers of Canadian banks for at least two years. Due to the highly convincing emails and documents together with the lookalike domains for popular banking services in Canada, "the attackers behind this were able to run a large-scale operation and remain under the radar for a long time." (Source date: 9 January 2020)

### ***UK regulators shape digital data strategy***

The Financial Conduct Authority and the Bank of England are working on the development of a new dynamic data strategy, with the aim of using advanced analytics and automation techniques to ease the regulatory process and deepen their understanding of market behaviour.

The FCA says it plans to become a 'data-driven regulator', investing in new technology and skills to mine and exploit high-quality, granular data sources. The approach includes data science units being established in selected parts of the organisation and exploitation of new opportunities arising from the FCA's migration to cloud-based IT infrastructure.

At the Bank of England, the focus is on improving the timeliness and effectiveness of data collection from firms across the financial system. It has published a discussion paper, which sets out the issues facing the current data collection system and identifies and explores a series of potential solutions.

One implication of the shift will be a requirement for firms to automatically supply data in digital format to the regulatory bodies. To this end, the FCA and the BoE have committed to exploring joint work on the creation of common data standards and to undertake a review of the legal implications of writing reporting instructions as code. (Source date: 7 January 2020)

### ***Travelex hit by cyber-attack***

Hackers are apparently demanding a ransom from Travelex in return for giving the foreign exchange bureau back control of its IT systems and customer data. On New Year's Eve, Travelex was forced to shut down its websites in 30 countries after discovering a software virus infection.

In a statement, the Metropolitan Police confirmed that hackers behind the attack are demanding payment. The demand is believed to be for a \$3 million payout to restore services and a deadline to have been set.

The outage has had a domino effect at banks which rely on the Travelex service, including Tesco Bank, HSBC, Barclays and Virgin Money. With the outage ongoing, the firm says that its network of branches continues to provide foreign currency services, albeit manually.

Travelex was unable to say when all the services would be restored, and its website, which was taken down immediately after the attack was launched two weeks ago, is still offline. Travelex has not said when it will be back up and running. (Source dates: 7, 13 January 2020)

### ***Security concerns cause Australia to delay Open Banking roll out***

Australian authorities have delayed the introduction of Open Banking rules by six months due to

concerns over testing and security of the new provisions for account data sharing.

The country's competition watchdog ACCC has updated the timeline for the implementation and launch of the Consumer Data Right (CDR) act in the banking sector from February to July 2020.

Under the revised deadline, consumers will be able to direct major banks to share their credit and debit card, deposit account and transaction account data with accredited service providers from 1 July 2020. Consumers' mortgage and personal loan data will be able to be shared after 1 November 2020. (Source date: 2 January 2020)

### ***FCA invites input on new model for open finance***

The Financial Conduct Authority has requested input on proposals to extend open banking rules to a wider range of products, under a new model billed as 'open finance'.

The revised Payment Services Directive (PSD2) mandated the right of access to payment account data to increase innovation and competition in the payments sector.

The FCA believes that by making it easier for consumers and businesses to compare price and product features and switch product or provider, open finance could be beneficial to a wider range of services in the general insurance, cash savings and mortgage markets.

The FCA is seeking feedback to the CFI by 17 March 2020 and will publish a feedback statement in summer 2020. (Source date: 17 December 2019)

## **Mobile Money**

### ***Visa unveils Tap to Phone contactless payments programme***

Visa and Samsung are teaming up on a handset that enables merchants to accept contactless payments without the need for any additional hardware, such as a dongle. Samsung has developed a device, the Galaxy XCover Pro, that features Visa's Tap to Phone technology, which enables handsets to be used for accepting NFC payments.

Visa says that making digital payments' acceptance as simple as downloading an app will help millions of small and micro-sellers around the world grow their businesses.

While 40% of the national GDP in emerging markets is contributed by small and micro-sellers, fewer than 10% of these accept digital payments.

Visa says it is seeing strong interest in the Tap to Phone programme around the globe with 16 live pilots in nine key markets, including Costa Rica, Malaysia and Ukraine. (Source date: 13 January 2020)

### ***Google Pay co-founders to build neo-banking platform***

The eight-month old startup epiFi, founded by two Google Pay co-founders, has secured \$13.2 million backing from three top Venture Capital funds for the development of a neo-banking platform for millennials in India.

The aim of the platform is to deliver a product that touches consumers across streams, which is intuitive and simple, demystifies their finances, and helps them to spend intelligently by providing a unified experience from a consumer finance perspective.

The seed funding round, which values epiFi at about \$50 million, is the latest instance of some of the biggest venture capital firms backing India's burgeoning neobanks, which are described as digital banks that have no physical branches, but provide a wide variety of online and mobile-first financial services, payment solutions, money transfer and lending services, among others, while partnering with licensed banks.

epiFi plans to launch an app in the next few months. (Source date: 13 January 2020)

### ***Tencent and UnionPay integrate QR code systems***

Apparently Tencent and state-owned China UnionPay are integrating their QR code systems for mobile payments, in a move which will let Tencent WeChat Pay and UnionPay Quickpass users transfer and spend money using the same QR codes. Currently, merchants and consumers need different QR codes for different operators.

According to Chinese media outlet Caixin, the unified QR code system is being trialled in Fuzhou city. The two firms are also working together on facial-recognition-based payments.

The partnership is likely to help central bank-baked UnionPay gain a bigger slice of the Chinese mobile payments market dominated by Tencent's WeChat Pay and rival Ant Financial's Alipay - which is not involved in the integration effort. (Source date: 8 January 2020)