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## Savantor's View

### The Cash Issue

The perennial issue of cash and the need to continue to support it as a payment mechanism has been a topic of discussion in the media during the past month.

There have been calls for the UK Chancellor to act to save banknotes and coins, saying that without urgent new laws the cash system could collapse within a decade. A spokesperson for the Access to Cash Review has stated that it essential that the shift to digital "doesn't leave millions behind or put our economy at risk".

In response, the Treasury has said that it wants "to ensure everyone who needs cash can access it."

Cash is important to millions of people, who still use it for paying for vital goods and services, such as utility and council bills. According to the Financial Inclusion Commission, nearly two million people in Britain don't have a bank account, meaning they need notes and coins to pay their way. Although there are many tech-savvy 'silver surfers', there is also a significant number of elderly people for whom the online environment is very confusing. According to the ONS, only 40% of the over-65s have used a smartphone in the past three months.

There were 11 billion cash payments in the UK in 2018, but this is forecast to fall to 3.8 billion by 2028, accounting for fewer than one in 10 (9%) of all payments. Banks are continuing to close branches in response to the migration of customers to digital channels - Lloyds Banking Group is to close 56 more branches across the UK later this year.

Interestingly it was reported this month that New York City Council has voted to ban cashless stores and restaurants, as they discriminate against the unbanked. The council voted to pass a bill requiring brick and mortar outlets in the city to accept US notes and coins or to be fined.

As cash usage is also, similar to Britain, on the wane in many areas of America with the increasing use of cards and mobile payment options such as Apple Pay, this has prompted some businesses to ban cash, which is expensive to handle, outright. However, there has been a pushback against the trend, with opponents arguing that it discriminates against the unbanked, poorer members of society who do not have access to credit cards or bank accounts.

New York is apparently following the lead of Philadelphia and San Francisco, whilst there are also moves are also underway to outlaw cashless stores in Washington and Chicago.

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Yet at the other end of the spectrum Sweden seems likely to become the world's first cashless society, with cash no longer being accepted as a means of payment after March 2023. It is already difficult today to find an establishment in Sweden where cash is accepted; the payment norm is either card or the domestic mobile application Swish.

Whilst some countries such as Sweden seem to be making a seamless transition to becoming cashless, it is unlikely that this model will be the solution for every country or society and that for the foreseeable future cash will need to remain a viable option.

## Products and Initiatives

### *RBS to rebrand as NatWest*

Royal Bank of Scotland is to rebrand as NatWest and define new goals to become a 'purpose-led bank' focused on enterprise, learning and climate. The bank has spent the past ten years attempting to recover from the aftermath of the financial crisis, when its ambitious attempt to become a global bank dramatically failed, leading to a taxpayer-funded bail-out by the UK Government.

The rebrand was announced by the bank's recently appointed chief executive Alison Rose in an attempt to sweep away the legacy of its association with the financial collapse. NatWest is the biggest consumer-facing brand within the RBS group, accounting for 80% of its profits. Under the new strategy, Rose has pledged that NatWest will be "honest and fair with customers and suppliers; a good citizen; a guardian for future generations; and a responsible and responsive employer". (Source date: 14 February 2020)

### *Deutsche Bank invites Amazon, Google and Microsoft to tender*

According to a report from Reuters, Deutsche Bank is inviting bids from tech companies Amazon, Google and Microsoft to improve its outmoded technology estate. Apparently the three companies were on site at Deutsche Bank in Frankfurt last week with the objective of coming up with proposals, kicking off a three-month pitch and bidding process.

The initiative, part of the bank's EUR13 billion tech overhaul plan, follows talks earlier this year between the newly-appointed Deutsche Bank CTO and tech executives in the United States and in Davos.

In addition to helping to streamline and update technology, one idea under consideration is to set up a corporate credit marketplace that Deutsche and the technology company would own. It would be open to companies and other banks as a brokerage for loans. (Source date: 11 February 2020)

### *Visa extends 'access to cash' programme*

Visa is taking its 'access to cash' programme industry-wide, working with partner banks to offer high street retailers in remote and rural locations a fee for processing cashback transactions over the counter.

The introduction of the UK-wide programme follows a year-long trial with Lloyds Bank, which offered rewards to retailers in return for providing cashback services.

The initiative comes in the wake of a backlash over the creation of 'cash deserts' in locations where bank branches have been closed and ATMs shut down.

Visa is also looking at widening the availability of cashback services to consumers without the prerequisite of an in-store purchase. The card scheme is following in the footsteps of Mastercard, which has already announced plans to roll out a service which will offer UK retailers a fee for processing cashback transactions over the counter. (Source date: 22 January 2020)

## Market News

### *N26 leaves the UK after Brexit*

German mobile bank N26 is leaving the UK, saying that Brexit means it can no longer operate in the country with its European banking licence. In a statement on its website, the challenger says it will close all UK customer accounts by 15 April. Until then, accounts will work as normal.

The chief banking officer of N26, said: "While we fully respect the decision [Brexit] that has been taken, it means that N26 will in due course be unable to service our customers in the UK and will have to leave the market."

N26 was launched in Germany and Austria in January 2015 and entered the UK market in 2018. It has not given details on how many UK customers it has, but the firm had a waiting list of 50,000 when it launched in the country and last month stated that it has five million users worldwide.

However, the fact that N26 has not gone through the motions of applying for a UK banking licence and raising the relevant regulatory capital suggests that the firm may have been struggling to keep its head above water in the face of strong competition from other UK neobanks, such as Starling and Monzo. (Source date: 11 February 2020)

### ***Mastercard wins approval to operate in China***

Mastercard has received approval from the People's Bank of China (PBOC) to begin formal preparations to set up a domestic bankcard clearing institution in the country.

The entry of foreign card schemes into China's \$27 trillion payments market has been hard fought over the years. Back in June 2015, it eased restrictions on overseas firms obtaining licences by setting up units or acquiring a local company.

The latest relaxation of regulatory barriers forms part of a trade deal between the China and the US, which promised a 90-day approval cycle for applications from the likes of Visa, Mastercard and American Express. Mastercard has a one-year window to set up operations and apply to the People's Bank of China for formal approval to begin domestic bankcard clearing activity.

The US card schemes face an uphill battle to win over Chinese consumers and merchants. The country currently has over eight billion cards in circulation and a vibrant mobile payment scene dominated by home-grown tech giants Alibaba and TenCent, both of whom last year launched versions of their mobile payments apps for foreign visitors to China. (Source date: 11 February 2020)

### ***Australia prepares for Open Banking***

Australia's competition watchdog has finalised the rules governing Consumer Data Right regulations, paving the way for the introduction of Open Banking in the country. In addition to legally requiring the four major banks to share product reference data with accredited data recipients, the Rules also give legislative force to consumer data sharing obligations in banking that become mandatory from 1 July 2020.

Product reference data includes information such as interest rates, fees and charges, and eligibility criteria for banking products like credit cards and mortgages.

Initially intended to be introduced this month, the roll out has been delayed to July amid concerns over testing and security of the new provisions for account data sharing.

Under the guidance, consumer data relating to credit and debit cards, deposit accounts and transaction accounts must be made available from 1 July 2020. Consumer data relating to mortgage and personal loan data must be able to be shared from 1 November 2020. (Source date: 11 February 2020)

### ***Barclays signs European agreement with Visa***

Barclays Bank has extended its long-standing partnership with Visa, signing a new multi-year European agreement with the card scheme in an effort to drive innovation and product development and to support growth in new markets.

Barclays has a longstanding relationship of more than 50 years with Visa, beginning with the launch of the UK's first credit card in 1966. The two firms have also partnered on other innovations, including the launch of contactless payments and wearables in the UK and the roll out of 'touch and go' payments across the Transport for London Network.

Alongside the overseas aspect, the agreement ensures Barclays will continue to offer Visa as its card scheme partner for cards issued in UK. (Source date: 10 February 2020)

### ***PayPal fraud scam cost UK users £1 million in last quarter***

PayPal users in the UK lost over £1 million to fraudsters in the last quarter of 2019 after being tricked into sending goods by fake e-mails. According to ActionFraud, between October 2019 and December 2019, 3,059 crime reports were made about fake PayPal emails. Victims reported losing a total of £1,121,446 during this time.

Those targeted, which include people selling electronics, vehicles, phones and household furniture via online marketplaces, received an email purporting to be from PayPal verifying payment for an item.

The fraudsters typically send a follow-up email requesting a tracking number in the hope that the victim will be rushed into shipping the item before they have had a chance to check the payment. (Source date: 5 February 2020)

### ***Digital payments overtake cash in Russia***

For the first time, in the fourth quarter of last year Russians made more payments digitally than with cash, according to analysis from Sberbank. Apparently Russians made 50.4% of total transactions with cashless instruments during the quarter, up 4.5 percentage points on the same period in 2018.

The migration away from cash is not limited to big cities, with 36 regions reaching the 50% tipping point. Murmansk region in the northwest leads the way with 60% of transactions cashless.

Russia's migration to digital payments has been partly driven by the creation of a national payments card intended to challenge the dominance of Visa and MasterCard. The scheme was built in response to US and EU sanctions in 2014 which saw MasterCard and Visa cut off services to several of the country's banks following the annexation of Crimea. (Source date: 3 February 2020)

### ***Indian central bank digital currency proposed***

Indian non-for-profit organisation, the National Institute for Smart Government (NISG), has proposed a Central Bank Digital Rupee (CBDR) in its draft National Strategy on Blockchain.

The NISG believes that the Indian government needs to issue a statement of intent on the use of blockchain technology and encourage the sector to strive for further innovation. According to their proposal, the CBDR could address the disconnect between India's 1.2 billion mobile connections and only 582 million bank accounts, a void often filled by cryptocurrencies like Bitcoin, which the government may be keen to address.

The Reserve Bank of India (RBI) banned the sale or purchase of cryptocurrency in early 2018, but the Supreme Court is currently listening to further hearings on this.

The RBI confirmed this month that cryptocurrency is not banned in India in response to concerns raised by the country's Internet and Mobile Association. The ban on crypto extends only to the institutions that fall under the regulatory remit of the RBI, such as banks. (Source date: 29 January 2020)

### ***Banks refusing refunds to scam victims***

Consumer group Which? says banks are shirking commitments to reimburse customers who have been tricked into sending money to criminal accounts. The voluntary Contingent Reimbursement Model code, in place since May 2019, compels banks to reimburse blameless victims of authorised push payment fraud, in much the same way as they do for scams related to card payments and direct debits.

However Which? claims that early signs suggest that banks are shifting responsibility onto customers, by refusing to cover losses on the basis that they show fraud warnings at the point of payment.

The code stipulates that fraud warnings must be 'understandable, clear, impactful, timely and specific' but individual banks are free to interpret this as they see fit.

Which? wants banks to provide evidence that their warnings are effective, as per the code, and suitable for different groups of people and under different circumstances. The consumer group says that "Until they have, it's hard to see how any bank could justify refusing to reimburse victims simply for ignoring a warning." (Source date: 24 January 2020)

### ***Central banks form group to explore digital currency creation***

Six of the world's central banks have come together to share their knowledge and experiences in assessing the potential cases for central bank digital currency (CBDC) in their home jurisdictions.

The group - comprising The Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, the Sveriges Riksbank and the Swiss National Bank, together with the Bank for International Settlements (BIS) - will assess CBDC use cases; economic, functional and technical design choices, including cross-border interoperability; and the sharing of knowledge on emerging technologies.

The banks have been spurred into action by the ongoing emergence of private sector digital currencies, such as Facebook's Libra, and the threat posed to monetary policy and financial stability. (Source date: 21 January 2020)

### ***Increase in Open Banking customers***

Customer use of Open Banking in the UK has surpassed the one million customer mark for the first time, doubling in the past six months. The figures, generated by the Open Banking Implementation Entity (OBIE), only represent customers of the CMA9, the nine biggest current account providers in Great Britain and Northern Ireland.

The doubling in customer numbers mirrors similar growth in third party service providers. Currently there are 204 regulated providers, up from 100 at the end of 2018, who are fielding approximately 200 million monthly calls on bank account data.

A trustee of the Open Banking Implementation Entity, commented that although "One million is a significant milestone, but by no means is it the end..... we believe 2020 will be the year when adoption of Open Banking financial services really takes off." (Source date: 20 January 2020)

## **Mobile Money**

### ***Nationwide trials contactless posters for charity donations***

Nationwide Building Society is trialling a "smart window poster" that people can tap with their contactless cards to make donations to a homeless charity. When a person taps their card against the poster, which is next to a Nationwide cash machine in Bath, £3 is donated to local homeless charity Julian House. People can tap multiple times.

Nationwide says the plan is to make it easier for people to donate money and to instil confidence in people who feel uncomfortable giving cash directly to the homeless. The trial raised about £100 a day, with all funds going to the Julian House Good Start fund, which helps to improve homelessness in the area.

As cash becomes less common, other groups are increasingly turning to contactless technology to help the homeless: sellers of the Big Issue, a magazine sold by the homeless on high streets across the UK, are now able to accept contactless payments cards following successful trials with Swedish mPOS vendor iZettle; a year ago, London began installing donation points around the city where people can give £3 a tap to a pool of 22 charities comprising the London Homeless Charities Group; and in December Nationwide invested in app-based charity donation startup Percent. (Source date: 31 January 2020)

### ***India requires cardholders to opt in to contactless payments***

All new cards sent out by issuers in India will not be contactless enabled or capable of online or international payments until the customer turns on these features, under new central bank rules.

With the volume and value of card payments soaring in India over recent years, the RBI says it wants to tighten up security by restricting what type of transactions can be made without any customer action.

Currently, at the time of issue, all virtual and physical cards can be used at ATMs and non-contactless point-of-sales devices. However, from March, for contactless, card not present and international transactions, new cards will be disabled. Issuers will be required to give customers a host of ways to turn on these features, through mobile apps, online banking, ATMs and branches. (Source date: 23 January 2020)

### ***Amazon exploring biometric identification using palm scans***

According to the Wall Street Journal, Amazon is investigating how to connect the credit card information of consumers to their palms, so they can complete purchases with a wave of their hand rather than a tap of their card.

Amazon has filed a patent for a "non-contact biometric identification system", featuring a scanner that produces an image of a person's palm. Similar technology is already in use in financial services, with biometric authentication provider, iProov, launching a palm verification service in February 2019, allowing customers of banks to verify themselves remotely by hovering their palm over their mobile device.

The WSJ has reported that Amazon is working with Visa on this project, with Mastercard, JPMorgan and Wells Fargo also involved in preliminary discussions. (Source date: 20 January 2020)