

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).

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## Savantor's View

### Coronavirus: impacts and repercussions

As the coronavirus pandemic maintains its infiltration into every aspect of society, the payments world continues to be impacted by its repercussions.

Based on figures supplied by UK ATM network Link, the use of cash in Britain, already declining in the light of the pandemic and the World Health Organisation's advice to avoid handling bank notes, halved in just a few days following the Government's imposition of a nationwide lock-down on freedom of movement.

This may well lead to a permanent and long-term change in consumer cash spending habits as well as an inevitable increase in the use of contactless.

Other actions being taken by Banks and financial institutions to mitigate the dangers of the virus and manage to operate in the new environment are also likely to signify an acceleration of change in working practices on a long-term basis.

Banks are having to minimise face-to-face contact, reducing hours and introducing social distancing requirements into their branches. The focus is on utilising internet and mobile banking if at all possible although it is recognised that special practices need to be adopted for the vulnerable sectors of society, for example with the introduction of special help lines. With the pre-Covid 19 general focus on reducing bank branches it is probable that this emphasis on digital banking will only encourage this trend moving forward.

Likewise the impact upon retail and the High Street is likely to be long-lasting and irreversible. Aside from the economic repercussions and whether businesses fold or manage to survive the current crisis, the focus is again upon shopping and transacting online. This will inevitably both impact consumer shopping habits on a long-term basis and accelerate the decline in high street shopping with its resultant consequences in town centre and urban life.

There has even been an increase in the recorded incidents of phishing attacks since the outbreak of the virus. Apparently a 667% spike in phishing attacks has been recorded, using not only common phishing tactics but also the coronavirus as a means of tricking their victims, with many of the attacks disguised as legitimate correspondence from organisations such as the World Health Organisation (WHO) and the National Health Service (NHS).

These continue to be difficult times for everyone. Savantor wishes good health to all our MarketEye readers and their families.

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## Products and Initiatives

### ***Starling Bank to issue spare debit card***

Starling Bank is introducing the 'Connected card', a second card that customers can link to their existing account and give to anyone they trust to pay for groceries and other essential items on their behalf.

The spare debit card has been designed to help personal account customers who are self-isolating during the coronavirus emergency and are relying on friends, neighbours and community volunteers to get their shopping.

Protected by a PIN and with a balance limit of £200, the card only permits users to spend in-store and not online. (Source date: 8 April 2020)

### ***Curve introduces numberless cards***

Card consolidation app Curve has become one of the first firms in Europe to roll out numberless cards in a move it says boosts security and convenience.

Investors from Curve's crowdfunding round will get the new cards, which do not have the PAN (primary account number) printed on the front. In addition to giving the card a sleeker look, Curve says the numberless card will make online transaction easier because users will simply copy and paste the details from the Curve app.

Meanwhile, security is improved because the information is stored behind a PIN or biometric requirement in the Curve app, rather than on the card itself. (Source date: 7 April 2020)

### ***Microsoft partners Plaid to turn Excel into a fintech app***

Microsoft has partnered with San Francisco-based fintech startup Plaid to develop a new software app called Money in Excel. The collaboration will allow people to automatically import their bank and credit card account data into the personal finance tool. The software will initially be available to Microsoft 365 subscribers in the US.

The Money in Excel app will let users manage, track and analyse their money and keep track of their spending habits, all within the space of the Excel spreadsheet application.

Financial accounts are connected via a Plaid Link from within Excel. Users can then import transactions and account balances automatically via connections with over 11,000 financial institutions in the USA, Canada and also Europe. (Source date: 30 March 2020)

### ***Yapeal gets first Swiss fintech banking license***

Digital banking startup Yapeal has become the first company to be granted a fintech banking license by Swiss authorities.

Switzerland introduced fintech licenses last year in a bid to boost innovation in the sector, enabling small players to enter the market, albeit with the restrictions of a CHF100 million cap on deposits and a ban on investing and paying interest on funds.

Yapeal is the first firm to get a license from the Financial Market Supervisory Authority, paving the way for it to launch its service, promising to "redefine the way people handle their money".

The Zurich-based firm will offer the usual array of budgeting and money management tools as well as a Visa debit card, services tailored for children and a simple flat fee. (Source date: 17 March 2020)

## Market News

### ***Libra begins process to gain regulatory support***

The Libra Association, responsible for the digital coin unveiled by Facebook last year, has applied for a payment system license from the Swiss Financial Market Supervisory Authority (FINMA), with significant changes made to the project that was met with widespread criticism last year.

Most significantly, Libra now intends its payment system to support single-currency stablecoins in addition to the multi-currency token itself.

The Association stresses that it has engaged with its stakeholders, incorporating their feedback into the design of the payment system, and that it has enhanced the system's safety with finance industry-level framework for compliance and risk management.

It is now attempting to stand back from its initial ambitions to create a single global currency pegged to a basket of fiat currencies and government debt. This may prove an attractive incentive for central banks and governments currently exploring launching their own digital currencies, who may have realised the benefits of harnessing a company like Facebook's technological prowess and global reach. (Source date: 16 April 2020)

### ***CaixaBank and Global Payments form prepaid JV***

Spain's CaixaBank is teaming up with Global Payments on a European prepaid card joint venture called MoneyToPay. Global Payments and CaixaBank have a long history, having joined forces in 2010 to create Comercia Global Payments.

Global Payments will own 51% of the new brand, with CaixaBank Payments & Consumer holding the remaining 49%.

The MoneyToPay name has been used by CaixaBank for its prepaid business since 2012 in Spain, where it has almost two million cards and a sales volume of over EUR700 million. (Source date: 14 April 2020)

### ***EC reviews Mastercard's Nets deal***

Mastercard's EUR2.85 billion acquisition of Nets' account-to-account payment business is being assessed by the European Commission on competition grounds after six countries raised concerns about the deal.

Mastercard agreed last August to buy the business, comprising the clearing and instant payment services, and e-billing software of Nets' Corporate Services business. However, Austria, Denmark, Finland, Norway, Sweden and the UK asked the EC to assess the takeover under the EU Merger Regulation.

The EC says that on the basis of the information provided by the countries, it considers that the transaction "threatens to significantly affect competition" in the Nordic, EEA and UK regions.

Mastercard, which will now need to secure European approval for the acquisition, says it is working with the EC to "expedite the process" and still hopes to close the deal before the end of the second quarter. (Source date: 8 April 2020)

### ***Banking industry sets out vision for EU payments market***

Although McKinsey is forecasting a dramatic decline in payments revenue as the Coronavirus crisis hits economic activity across the globe, the European Banking Federation (EBF), European Association of Co-operative Banks (EACB) and the European Savings and Retail Banking Group (ESBG) point out that the crisis has brought to the fore the importance of well functioning payments services.

The three groups have spent the last few months putting together their vision for payments in the EU over the next five years, as they seek to meet changes sparked by a mix of evolving customer needs, regulatory action, technology and innovation, and increased competition. The top priority is to develop instant payments across the EU that allows for both the differentiation of EU companies and the reduction of dependency on the dominant non-EU payment card schemes.

European banks are working under the umbrella of the Pan European Payment System Initiative to provide an alternative to Visa and Mastercard, but acknowledge that the effort requires substantial investment. They are asking for "concrete support" from policy makers to help achieve their objectives, including a levelling of the playing field between banks and Big Tech competitors. This would entail actions to open up NFC chips and biometric identity readers provided by the likes of Google and Apple, and a mutually-beneficial approach to data sharing that recognises the current asymmetries in data access.

The paper states that "The European payments landscape is at a crossroads. Payments are the bloodline of the European economy and are thus important for the sovereignty of the European Union..... extensive investment from the banking sector is required but also unprecedented and concrete support from public authorities will be needed." (Source date: 3 April 2020)

### ***UK contactless limits raised to £45***

The UK has joined other countries around the world in lifting the ceiling for contactless card payments, enabling customers to make more payments without touching card terminals or handling cash.

UK Finance announced that the spending limit for contactless card payments would be increased from £30 to £45, with a national roll-out beginning from 1 April 2020. Apparently the changes were already under consideration, but the process has been expedited in response to the Covid-19 outbreak.

Other countries to have adopted similar tactics include the Netherlands, Germany, Norway, Saudi Arabia, Egypt, Poland and Turkey. (Source date: 24 March 2020)

### ***Bank of England cancels 2020 stress tests***

The Bank of England is to cancel the 2020 stress test for the eight major UK banks and building societies, under a package of measures to relieve the regulatory burden on firms as they face up to the challenge of maintaining operational resilience during the Coronavirus outbreak. This action comes in the wake of a decision by the European Banking Authority to postpone the EU-wide stress test exercise to 2021 to allow banks to focus on and ensure continuity of their core operations, including support for their customers.

In making its decision, the Bank of England says: "The recent 2019 stress test showed that the UK banking system was resilient to deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs."

A number of important supervisory programmes will also be stalled; in addition a review of work plans will be reviewed so that non-critical data requests, on-site visits and deadlines can be postponed.

The Bank states "This will allow supervisory engagement to focus on the most important matters relating to financial stability, the safety and soundness of firms, and protection of policyholders, including the impact of Covid-19." (Source date: 20 March 2020)

### ***Which? calls for Government action on APP fraud***

UK consumer watchdog Which? is calling on the Government to force all banks to adopt Confirmation of Payee, as new figures show over £1 billion has been lost to authorised push payment (APP) scams over the past three years. Which? says banks have been lagging in implementing anti-fraud measures and in reimbursing customers who fall victim to APP fraud.

Confirmation of Payee was set to be introduced by the UK's six major banks by 31 March. CoP ensures that a check is made on whether or not the name a customer enters when making a payment matches the account details it is being sent to. By mid-March, however, only Bank of Scotland had gone live with the programme.

Of the banks that have not been directed to sign up by the regulator, several have said that they plan to deliver the system by the end of the year. However, Metro Bank told Which? that it has no current plans to implement CoP at all - despite this being a requirement of the voluntary industry code on APP scams launched in May 2019, which Metro Bank signed up to.

Which? believes the code and CoP should be made mandatory and that the government must consider directing the PSR to ensure all banks are signed up. (Source date: 17 March 2020)

## **Mobile Money**

### ***Santander launches cross-border payments app***

Banco Santander has launched a cross-border payments app PagoFX in the UK, competing with rival fintech unicorn TransferWise. Launched as a standalone company, PagoFX allows UK residents with a debit card issued by any UK bank or financial institution to send money abroad using just their smartphone.

International payments can currently be made in selected currencies from the UK to the US, the eurozone, Poland, Switzerland, Norway, Denmark, Sweden and the Czech Republic, with plans to introduce further currencies and payment options in the short term, providing a direct threat to fintech unicorn TransferWise.

The product, which is open for everyone no matter who the user banks with, is expected to be launched in other European countries this year and be present in 20 markets in three to four years.

PagoFX is the open-market version of Santander's existing international money transfer service One Pay FX - developed in concert with Ripple - which offers quick international transfers to its bank customers in key countries in Europe and the Americas. The bank says One Pay FX provided the

inspiration for PagoFX, but does not use Ripple's technology for the open market service. (Source date: 16 April 2020)

### ***Fitbit makes contactless payments standard on new model***

Fitbit has launched its latest fitness wristband with contactless payments as a standard feature.

The Fitbit Charge 4 comes with the company's prepaid wallet included as standard. The chip works with cards from nearly 500 issuers in 44 countries and 10 transit systems worldwide. Previously, the payments feature was only available on premium editions of the Charge 3 wristband.

The device also features multiple new work-out components and add-ons, including Spotify compatibility and GPS tracking. (Source date: 3 April 2020)

### ***Dzing launches multi-currency payments app***

Dzing, a new electronic money and payment institution, has released its first financial product, a mobile payment app for international currency transfers.

The app is aimed at itinerant travellers, students, freelancers, and business customers, who want to be able to manage their finances and send money abroad. Available on Android and iOS, the app offers multi-currency accounts, as well as card and partner card options for users via a tiered subscription model.

According to Dzing, the product is designed to "put the power back into the consumers hands, providing speed and convenience, while removing the worry of currency conversion rates and hidden surcharges for anyone abroad or travelling." (Source date: 31 March 2020)

### ***Icici Bank launches WhatsApp banking service***

India's Icici Bank has launched banking services on the popular messaging app WhatsApp, enabling customers to undertake a number of financial transactions during the national lockdown.

Retail customers can check their savings account balance, last three transactions, credit card limit, get details of pre-approved instant loan offers and block/unblock credit and debit cards. Additionally, they can also get details of the nearest three Icici Bank ATMs and branches in their vicinity.

The move follows the recent launch of IciciStack, a digital banking platform offering nearly 500 services covering the full gamut of banking requirement for personal and business customers. The platform incorporates digital onboarding and features a full suite of APIs and digital banking services covering accounts, payments, loans, investments and insurance. (Source date: 30 March 2020)

### ***M-Pesa waives fees to discourage cash usage***

Kenyan telco Safaricom is waiving fees for its popular M-Pesa mobile money service in an effort to encourage people to avoid cash during the Covid-19 pandemic.

Following a meeting with the Central Bank of Kenya's governor to explore ways to reduce the risk of spreading the virus through the physical handling of cash, Safaricom is making all P2P transactions of less than Ksh1000 (about \$10) free for the next 90 days.

In an effort to support SMEs, M-Pesa daily transaction limits have been raised from Ksh70,000 to Ksh150,000, with Kenyans able to transact and hold in their wallets up to Ksh300,000.

M-Pesa has more than 20 million customers and 175,00 agents in Kenya. (Source date 18 March 2020)