

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.

Savantor Limited
68 Lombard St
London EC3V 9LJ
Tel: +44 20 7868 1734
email: info@savantor.com
www.savantor.com

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Savantor's View

Payment trends

UK Finance has just issued its detailed analysis of the use of all types of payments in the UK during 2019.

According to the report, during 2019 there were 40 billion payments made in the UK in 2019, for the first time over half of which (51%) were made using cards. Key drivers of this growth continued to be online and contactless payments, with 80% of UK adults using contactless payments in 2019.

Debit cards accounted for 42% of all payments in the UK and remained the most frequently used payment method, accounting for four in ten payments. In 2019 debit card payment volumes increased by 12% reaching 17 billion. The continued increase in debit card use is seen as driven by a number of factors including the continued growth in popularity of contactless payments and the increased speed of migration of payments away from cash.

Credit cards saw an increase of 7% over the previous year, with 3.5 billion payments being made using this method.

During 2019 the number of contactless payments made in the UK increased by 16% to 8.6 billion payments. This was driven by the continued roll-out of contactless cards, especially credit cards in the last 12 months; the continued roll-out of card acceptance devices; and consumers becoming increasingly comfortable and familiar with making contactless payments.

By the end of 2019 there were 132 million contactless cards in circulation, with 85% of debit cards and 74% of credit cards in the UK having contactless functionality.

The percentage of all payments made using contactless cards was 21%, up from 15% in 2017 and a mere 3% in 2015.

As well as using contactless cards other devices such as mobile phones and watches were used at point of sale and online. Nearly ten million people, or 18% of the adult population, registered for mobile payments in 2019 with 79% of these registered users undertaking a payment.

Cash payments continued to decline during 2019, resulting mainly from the increased use of debit cards and online payments. However, cash was still the second most frequently used payment method in the UK in 2019, being used for just under a quarter of the total number of payments made.

The percentage of all payments made using cash was 23%, down from 48% in 2014 and 58% in 2009.

However, a recent survey by Nationwide Building Society indicates that during the pandemic consumers have gone an average of 44 days without using cash in favour of contactless payments. With such a drastic decrease in ATM usage, politicians have written to the Chancellor to bring forward legislation

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urgently to protect the UK's cash infrastructure by reviving free-to-use cash machines for local economies and communities and reversing cuts to interchange fees. There are major concerns that the vulnerable, the elderly and those living in rural communities could struggle with the move away from cash.

Going forward it will be interesting to see how the current pandemic has affected payment trends and the payment behaviour of consumers. It seems likely that the impact of the past three months has been to accelerate existing trends in payments – the increased use of contactless, the increase in online shopping and the decrease in cash usage. Whether these trends continue or revert to previous levels and any resulting impact remains to be seen.

Products and Initiatives

NatWest tests behavioural biometrics for SCA

NatWest is working with Visa to test the use of behavioural biometrics for the upcoming Strong Customer Authentication (SCA) rules. Part of PSD2, the new SCA rules will soon require a two-step verification process for all online purchases over EUR30.

NatWest is testing the use of Visa's behavioural biometrics technology for one of the steps, analysing the unique ways a customer interacts with their device when making an online purchase. Not only can the technology use this information to confirm who is making the purchase, it does not access or share any private data held on a device.

According to the bank, behavioural biometrics could signal beginning of the end of passwords.

After a successful trial, NatWest is also looking into the use of biometric fingerprint technology for card payments. (Source date: 15 June 2020)

Switzerland to introduce QR-bill payments

Switzerland is to introduce QR-bill payments at the end of June, replacing seven different payment slips with a digitally readable code holding all the data for a payment, streamlining the processing of bills and credit transfers for companies, government bodies, non-profits and consumers.

The project, overseen by market infrastructure provider SIX, will enable bill recipients to trigger payment with just a few clicks on a smartphone. Incorrect entries of payment information will be displayed directly in online banking and business software, and can be immediately corrected, saving time and investigation orders.

Swiss banks have committed to update their mobile and online banking systems in time for the deadline, making it seamless for consumer participation. Companies, however, will have to update their creditor and payment software as well as their reader devices and scanning platforms to enable the receipt and payment of QR-bills. (Source date: 10 June 2020)

CaixaBank to roll out facial recognition ATMs across Spain

Caixabank is embarking on a project to roll out facial recognition technology at 100 ATMs throughout Spain, enabling users to make withdrawals without using a PIN code. The technology, which is already in use at a number of branches in Barcelona and a flagship outlet in Valencia, is to be rolled out for introduction at more than 30 branches across the country.

Upon completion of the expansion plan, forecast for mid-July 2020, CaixaBank says it will have one of the world's biggest networks of ATMs fitted with commercially-adopted facial recognition technology, and the only one in which this biometric system has a sufficient level of security to enable users to make withdrawals without having to enter their PIN.

The ATM has the hardware and software needed to validate up to 16,000 points on the image of the user's face, guaranteeing secure identification. (Source date: 10 June 2020)

Russian store goes cashierless with Sberbank and Visa

Russia's Sberbank has teamed up with Visa and retailer Azbuka Vkusa to open a cashierless store where customers simply take items from shelves and are automatically charged.

The system, which is similar to the cashierless stores that Amazon has been experimenting with in the US, requires users to download the Take&Go app from Sberbank and link a bank card and email account. When entering the store, shoppers scan a QR code before taking their products and leaving.

The correct amount of money is charged to their accounts automatically, with a receipt sent via email. Sberbank says the pilot proved successful, with more than 200 purchases made, helping the partners to fine tune the equipment before a full launch. (Source date: 9 June 2020)

Market News

EU opens antitrust investigation into Apple Pay

The European Commission has opened an antitrust investigation into Apple's terms and conditions and its refusal to open up its NFC functionality on iOS devices to proprietary bank payment apps.

The formal proceedings follow a preliminary investigation which weighed concerns that Apple Pay's terms and conditions may distort competition and reduce choice and innovation.

Apple Pay is the only mobile payment service that may access the NFC 'tap and go' technology embedded on iOS mobile devices for payments in stores, a process that has been criticised by banks in a number of jurisdictions for preventing competition from their own proprietary apps.

If proven, the practices under investigation may breach EU competition rules on anticompetitive agreements between companies and/or on the abuse of a dominant position. (Source date: 16 June 2020)

Tink gets second PayPal investment

Swedish Open Banking platform Tink is set to take full advantage of PSD2 after expanding its partnership with PayPal to include all countries in the European Economic Area. The US payments company is also making a second strategic investment in Tink.

Tink offers an API that allows bank customers to access to aggregated financial data, initiate payments, enrich transactions and build personal finance management tools. The Tink app connects to more than 2500 banks that reach over 250 million bank customers across Europe.

The firm's technology has been integrated by leading European players including NatWest, ABN Amro, BNP Paribas Fortis, SEB, Nordea, PayPal and Klarna.

Already operating in the UK, Germany, Spain, Italy, Portugal, Sweden, Denmark, Finland, Norway, Belgium, Austria and the Netherlands, the PayPal deal brings Tink to more European countries. (Source date: 3 June 2020)

Mastercard brings Fintech Express to Europe

Mastercard has brought its Fintech Express programme to Europe, providing easy access to a customised set of rules, relevant resources and digital-first services to help startups add payments to their suite of products. Fintech Express aims to shorten the time taken for fintechs to launch new payment services from months to a matter of days.

The scheme is part of Mastercard Accelerate, a bundle of startup and growth programmes launched in October last year to help firms grow their business by tapping in to the Mastercard ecosystem.

Railsbank is one of the first members of the Fintech Express ecosystem to offer its banking-as-a-service platform to startups joining the programme. (Source date: 2 June 2020)

Pay.UK rolls out Request to Pay framework

Pay.UK has issued the message standards, rules and terms and condition for the development of Request to Pay services.

The messaging service enables billers to directly request funds rather than sending traditional invoices. For each request, receivers are asked whether they would like to pay in full or in part, request an extension, communicate directly with the biller, or decline to pay.

Initially scheduled for release at the end of April, Pay.UK delayed the publication of the R2P framework to avoid increasing the load on banks as they deal with the Covid-19 pandemic.

The release of the standards comes days after Visa revealed that it has successfully conducted pilot trials with over 100 billers across multiple use cases. (Source date: 29 May 2020)

Banks worldwide adopt Open Banking

Research conducted by Finastra among 774 banks worldwide reveals that 86% of global banks are

looking to use APIs to enable Open Banking capabilities in the next 12 months. Initially viewed with suspicion by banks, the use of Open APIs to share account data with third party providers is proving to be a positive driver of innovation. Thirty percent of the banks surveyed believe Open Banking is already making a tangible impact in delivering improved overall customer experience.

The research, which was conducted prior to the Coronavirus outbreak amongst financial institutions across the US, UK, Singapore, France, Germany, Hong Kong and UAE, shows a maturity of API adoption and calls for the harmonisation of regulations between geographies.

The UK's Financial Conduct Authority, which is viewed as a model for encouraging innovation, recently issued a call for input on proposals to extend open banking rules to a wider range of products, under a new 'open finance' regime.

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. (Source date: 26 May 2020)

Acceleration of UK small businesses transition to card payments

As people turn away from cash during the Covid-19 pandemic, NatWest has seen a significant increase over the last two months in UK businesses moving to accept card payments. The bank says 70% of businesses registering for its Tyl by NatWest payment service are new to card payments, suggesting that the trend away from accepting cash and coin payments has accelerated as a result of the crisis.

This is in line with global trends that show a 300% increase in online searches for the term 'contactless payment' over the last two months, based on data from Google.

Meanwhile, recent data from Link shows ATM withdrawals falling 60% during the lockdown and three quarters of Brits report that their use of paper money is down. (Source date: 22 May 2020)

Mobile Money

Facebook and PayPal invest in Indonesian app Gojek

Facebook and PayPal have invested in Gojek, the Indonesian firm which began life as a ride-hailing app but has since moved heavily into payments and financial services. Existing investors Google and Tencent joined the investment round, details of which have not been disclosed.

Gojek, like Uber and Grab, has used its ride-hailing background to move into digital payments, establishing GoPay as a market leader. Its payments business processes billions of transactions each year and owns the largest e-wallet in Indonesia.

However, the majority of micro, small and medium enterprises continue to rely on cash to operate, due to the region's large unbanked population. The latest influx of funding will support more of these businesses as they seek to digitise further, from micro-merchants selling wares on the street side up to large businesses looking to strengthen their digital payment infrastructure.

PayPal's payment capabilities will be integrated into Gojek's services and the two companies will also collaborate to allow customers of GoPay to gain access to PayPal's network of more than 25 million merchants around the world. Meanwhile, Facebook sees Gojek as a way to use WhatsApp to help small businesses digitise. (Source date: 3 June 2020)

Virus delays New York subway contactless payments rollout

Although Covid-19 is encouraging the use contactless payments, it has delayed the roll out of a new tap-and-pay system for the New York subway, according to the Wall Street Journal.

Over the last year, New York's Metropolitan Transport Authority has been rolling out One Metro New York (OMNY), the new fare payment option that allows subway and bus passengers to use their debit and credit cards and mobile wallets to pay for their ride.

The technology was supposed to be available across the city's entire subway system by October but the MTA suspended installation of readers over fears that workers could get infected with Covid-19. Work has resumed but the installation will not now be completed until the end of the year, says the WSJ.

However, the pandemic has seen the installation of readers on buses accelerated, with all vehicles in Manhattan accepting contactless payments by July, and the rest of the city following by the end of 2020. (Source date: 3 June 2020)

Calibra rebrands as Novi for digital currency roll out

Facebook's digital wallet provider Calibra has been given a make-over, changing its name to Novi and confirming in-app integration with Messenger and WhatsApp.

According to a brand announcement, "With Novi, sending money will be as easy as sending a message. You'll be able to use Novi as a stand-alone app, as well as in Messenger and WhatsApp."

Upon launch, there will be no hidden charges to add, send, receive, or withdraw money and transfers will arrive instantly. All Novi customers will be verified using government-issued ID, with 24/7 chat-based support baked in.

There is no detail about the launch date, but the firm says: "Our hope is to introduce an early version of Novi when the Libra network is available. We'll roll it out in an initial set of countries, with features that will make cross-border money transfers instant, secure, and with no hidden fees." (Source date: 26 May 2020)

PayPal rolls out QR Code payments worldwide

PayPal has launched payment by QR codes in the UK and 27 other markets around the world, providing a touch-free way for businesses to receive payments and for consumers to make purchases during Covid-19. The rollout of the QR code functionality in the PayPal app allows customers to buy or sell in in-person, without the need to exchange cash or key in PIN codes.

Recent research from product and design agency Foolproof suggested that touch-free shopping and payments could be one of the lasting legacies of the Covid-19 outbreak, as consumers shy away from devices - like ATMs and PIN pads - that require manual keying.

Using QR code technology, there is no technology to touch or purchase - users just aim a smartphone camera at a QR Code that is printed or present on another screen. (Source date: 19 May 2020)