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## Savantor's View

### Contactless and debit cards

UK Finance has just released its card spending update for August 2020. The figures demonstrate and confirm the increasing use of both contactless and debit cards as a percentage of total card usage by consumers.

During August, there were 1.2 billion debit and credit card transactions undertaken in the UK, which is 1.3% fewer than in July and 27.7 % fewer than in August last year. The total spend of £51.6 billion was 3.8% less than the previous month and 14% less than last August.

In terms of transaction volumes, contactless payments accounted for 45% of all credit card and 62% of all debit card transactions during August.

Of the total debit and credit card transactions, there were 709 million transaction undertaken using contactless, which is an increase of 7% more than in July but 2.3% less than the 726 million last August. The total value of contactless transactions was £8.2 billion in August, a 3.1% increase from July and a 19.3% increase on the figures from last August of £6.9 billion, reflecting the impact of the increase in the contactless spending limit.

The number of contactless credit card transactions was 14.6% higher than in July but 17.2% lower than last August. The number of contactless debit card transactions was 5.9% higher than July and 0.4% higher than last August.

Overall, total debit card usage by UK cardholders in August showed a 3.9 % increase in transaction volumes compared to the previous month and 2.5 % more than in August last year. Although total spend was 1.2% less than in July it was nevertheless 12.5% higher than last August, showing a definite increase in usage.

It is also interesting to note that outstanding balances on credit card accounts have contracted by 12.6% over the twelve months to August, as a result of repayments being greater than new borrowing in the year – possibly as consumers attempt to reduce their borrowings in the uncertain times that the coronavirus crisis has created.

It is always fascinating to review the trends in payments but never more so than this year in the light of the pandemic and its impact upon consumer spending behaviour and patterns.

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## Products and Initiatives

### ***Standard Chartered to run customer-facing applications in the cloud***

Standard Chartered Bank has struck a five-year deal with Amazon Web Services to run its strategic banking systems and customer-facing applications in 60 markets on AWS.

The agreement significantly extends Standard Chartered's existing relationship with AWS, which already provides the foundational underpinning of the bank's Nexus banking-as-a-service unit and virtual bank MOX in Hong Kong. A number of Standard Chartered's flagship applications, like its core banking system, eBBS, and global payment platform, SC Pay, are also cloud-based.

The agreement with AWS comes only four months after the bank concluded a three year deal with Microsoft to use Azure as a preferred cloud platform, addressing customers' security, privacy and compliance requirements across the bank's global footprint. (Source date: 12 November 2020)

### ***Mastercard helps banks combat cyber risks using AI***

Mastercard has unveiled an AI-powered suite of tools designed to help banks assess cyber risks across their ecosystem and prevent breaches.

The company's Cyber Secure suite combines multiple public and proprietary data and evaluates this data against 40 security and infrastructure criteria, with the impact and importance of each vulnerability analysed to produce a cyber risk rating and issue priority navigator.

This information can be used by banks to identify and prioritise threats and vulnerabilities as well as to help their merchant clients. (Source date: 30 October 2020)

### ***Danske Bank to replace plastic payments cards***

Danske Bank is to phase out all existing payment cards and replace them with cards made from 86% recycled plastic.

Initially, the new more eco-friendly cards will be launched for Danske Bank's Pocket Money account, which is aimed at children between eight and 14 years of age.

After a trial period, the new cards will begin to replace the standard plastic payment cards - both Visa/Dankort and Mastercard - for all customers. (Source date: 29 October 2020)

### ***PayPal to support cryptocurrencies across consumer and merchant networks***

PayPal has been granted a first of its kind conditional Bitlicense by the New York State Department of Financial Services and will begin enabling its 346 million users to buy, hold and sell cryptocurrency directly from their PayPal account from early next year.

PayPal customers will be able to use bitcoin, ethereum, bitcoin cash and litecoin to shop at the firm's 26 million merchants worldwide, starting in early 2021. Consumers will be able to instantly convert their selected cryptocurrency balance to fiat currency, with certainty of value and no incremental fees. There will be no additional costs imposed on merchants either, as all transactions will be settled with fiat currency at their current PayPal rates.

The company plans to expand the features to Venmo and select international markets in the first half of 2021.

PayPal expects the service to drive mainstream adoption of crypto-cash as it prepares its network for arrival of central-bank issued digital currencies. The company has teamed up with Paxos, a New York State chartered trust company, to provide cryptocurrency trading and custodial services. (Source date: 21 October 2020)

### ***Mastercard to trial biometric card payments in Asia***

Mastercard is to conduct the first pilot in Asia of a biometric card that uses a fingerprint to authorise transactions at in-store payment terminals. The company is working with augmented identity firm Idemia, and Singapore fintech MatchMove, a Singapore-based banking-as-a-service provider, on the product, which operates under the name F.CODE Easy.

Developed by Idemia, the battery-free card harvests energy from payment terminals to power its fingerprint sensor and stores all biometric credentials on the card chip rather than a central database.

MatchMove, one of 21 applicants for Singapore's digital banking licenses, will issue the first batch of

biometric cards in the fourth quarter of this year. The pilot will feature employees of Mastercard, Idemia and MatchMove using the cards for transactions and live demonstrations for customers. (Source date: 21 October 2020)

## Market News

### ***Vocalink wins Canadian clearing and settlement system contract***

Mastercard's Vocalink has won the contract to build the clearing and settlement infrastructure for Canada's new real-time payments system. The decision comes more than 18 months after Payments Canada picked Italian provider SIA over Vocalink and CGI for the related Lynx core clearing and settlement system.

The Vocalink clearing and settlement system will meet all Payments Canada requirements, including support for the ISO 20022 messaging standard, and will comply with the Bank of Canada risk management standards for prominent payment systems.

According to Payments Canada, the system will allow Canadians to initiate payments and receive irrevocable funds in seconds, 24/7/365. It is underpinned by ISO 20022 and will support payment information travelling with every payment, acting as a platform for innovation.

Having masterminded the UK's Faster Payments service, Vocalink has won several big contracts around the world, including Singapore, Thailand, the Nordic P27 system, and the US bank-backed ACH The Clearing House. (Source date: 12 November 2020)

### ***Norway – cash and digital currency***

Research undertaken by the Norwegian central bank has shown that cash is only used for four percent of transactions in Norway.

According to the Bank, this share is approximately the same as in spring, and considerably lower than before the pandemic. The Bank also believes that the share of cash payments is lower in Norway than in any other country.

Although Norway, like other jurisdictions, has been exploring the options for creating a Central Bank Digital Currency (CBDC) over the past four years, the Bank has stated that the prospective introduction of a CBDC is still some way off and currently there is not perceived to be any urgency to do so.

"The introduction of a CBDC could have considerable consequences in a number of areas ..... introducing a CBDC will involve such a substantial change in the monetary system that it will require a political decision. It could also involve the question of whether the Central Bank Act would have to be amended." (Source date: 10 November 2020)

### ***Visa Plaid acquisition opposed by Department of Justice***

The US Justice Department has sued to block Visa's \$5.3 billion acquisition of bank data sharing startup Plaid, citing competition concerns.

Says the suit: "Visa seeks to buy Plaid - as its CEO said - as an 'insurance policy' to neutralize a 'threat to our important US debit business ..... by acquiring Plaid, Visa would eliminate a nascent competitive threat that would likely result in substantial savings and more innovative online debit services for merchants and consumers".

In response, Visa has issued a statement saying the DoJ's suit "reflects a lack of understanding of Plaid's business" and that Plaid is "not a payments company" and not a competitor.

The company argues that the deal is good for consumers and for competition and says that it will "defend the transaction vigorously". (Source date: 5 November 2020)

### ***Shanghai Stock Exchange suspends Ant Group IPO***

The Shanghai Stock Exchange has suspended Ant Group's blockbuster IPO over regulatory concerns.

The shock move by the Chinese exchange took place a day after Ant Group's Jack Ma was summoned to a meeting of the country's top regulatory bodies. This followed a critical speech by Ma in Shanghai, where he criticised the country's fluid regulatory system and banks, accusing the latter of having a "pawn-shop mentality".

In a short statement, the Shanghai Exchange said it was suspending the share offering due to upcoming

changes in the regulatory environment that might make Ant fall short of listing requirements concerning information disclosure.

Within an hour of the news breaking, the Hong Kong Stock Exchange announced that it would also suspend Ant's IPO, citing the same regulatory concerns and effectively derailing the upcoming listing. (Source date: 3 November 2020)

### ***Visa to acquire YellowPepper for Latin America push***

Visa is to acquire payments technology firm YellowPepper in an effort to extend its influence across Latin America and the Caribbean. The acquisition builds on an earlier partnership and investment in YellowPepper.

Founded in 2014 and operating in nine Latin American countries, the Miami-based company currently serves 50 clients and 5 million monthly active users.

Earlier this year, the two companies collaborated on a real-time P2P payments system in Peru on behalf of Scotiabank, BBVA, and Interbank.

The YellowPepper platform offers a set of APIs to enable issuers, processors and governments to access multiple payment rails through a single connection. It also enables an easier integration to Visa Direct, Visa's real-time push payments platform, Visa B2B Connect, Visa's non-card-based payment cross-border B2B network, and value added services. (Source date: 28 October 2020)

### ***UK retailers attack Visa and Mastercard over card fees***

Retailer lobby groups are calling on the UK Government to crack down on the fees charged by Visa and Mastercard as more consumers switch from cash to cards.

The latest payments survey from the British Retail Consortium (BRC) shows card use continuing to rise steadily from 54% of transactions in 2016 to 61% in 2019. At the same time, the cost to retailers of accepting payments reached £1.1 billion in 2019, of which £950m was from card payments.

While card payments account for four in every five pounds spent in retail, they also incur the largest charges with shops charged an average of 18.4p per credit card transaction (up 15% from 2016), and 5.9p for every debit card transaction (up 6% from 2016). Furthermore, businesses have received notices in the past year of new fees that will now be charged to accept payments online.

The BRC says the overall increases in scheme fees - 39% in 2017 and 56% in 2018, measured as a percentage of turnover - were "clear demonstrations of an abuse of market dominance". The consortium, together with the British Independent Retailers Association, Association of Convenience Stores, Federation of Small Businesses and UKHospitality, has called for decisive action from the Competition and Markets Authority to tackle increasing scheme fees. (Source date: 20 October 2020)

## **Mobile Money**

### ***WhatsApp cleared to launch payments service in India***

The National Payments Corporation of India (NPCI) has given WhatsApp approval to go live on the country's United Payments Interface (UPI). WhatsApp can expand its UPI userbase gradually, starting with 20 million users. The NPCI decision comes shortly after the Competition Commission of India dismissed a case accusing WhatsApp of abusing its dominant market position in messaging to move into the country's payments space.

WhatsApp, owned by Facebook, began testing P2P payments in India in 2018 but has, until now, struggled to secure clearance for a full launch. The company has teamed with five Indian financial institutions - ICICI Bank, HDFC Bank, Axis Bank, the State Bank of India, and Jio Payments Bank - to take the service nationwide.

The company has hundreds of millions of users in India but is facing a crowded payments market with stiff competition from Google Pay, Walmart's PhonePe and local outfit Paytm.

Earlier this year, the firm launched payments in Brazil only to be shut down by the central bank within ten days over competition issues. (Source date: 5 November 2020)

### **Google facing Indian anti-trust investigation**

Google is facing an antitrust investigation by India's Competition Commission over allegations that it is abusing its dominant market position to promote its own mobile payments app ahead of other competing options.

The investigation has been prompted by complaints that Google gives prominence to its own mobile payments app during the set-up of an Android smartphone, and that the tech giant mandates the use of Google Pay to buy apps and make in-app payments on the Google Play App Store. A similar investigation into Apple's terms and conditions for mobile payments is underway in the European Union.

Google Pay, formerly known as Tez, currently processes approximately 40% of all transactions over India's digital payments network UPI.

However, its prominence is already under threat from a new ruling by the National Payments Corporation of India, which in January next year is imposing a 30% cap of total volume of transactions processed in UPI by third party app providers. (Source date: 11 November 2020)

### **Apple Pay "a must-have payment option for banks"**

Apple Pay is becoming a must-have payment option for retailers and banks, according to data compiled by Loup Ventures. The VC company's fourth annual Apple Pay availability study found 20% plus increased adoption from banks and top retailers across desktop sites, mobile web, and apps.

With the popularity of contactless payments soaring during the pandemic, Loup Ventures estimates the percentage of active iPhone users that have enabled Apple Pay has increased from 441m in September 2019 to 507m in September 2020.

This implies 51% of active iPhone users have set up Apple Pay, representing 15% year-on-year growth in activations, reflected in a 30% uptick in transactions over the past six months. Moreover, the number of banks supporting Apple Pay increased to 5,480 globally this year, up 29% from the previous date point.

"These growth rates, off an increasingly bigger base, suggest Apple Pay is becoming a must-have payment option for retailers and banks," states the firm. "With Apple Pay consumer usage rates accelerating year after year....., Apple Pay is increasingly becoming an effective customer acquisition and retention feature for Apple." (Source date: 11 November 2020)

### **Visa Tap to Phone programme goes global**

Visa has launched its Tap to Phone technology, which enables Android handsets to be used for accepting NFC payments, in more than 15 markets, with the US to follow in 2021. Tap to Phone transforms current generation Android smartphones and tablets into contactless software-based point of sale terminals without additional hardware.

Sellers download an app, supported by their acquirer, and after registering and selecting their participating bank, can start accepting contactless payments in minutes. The technology builds on top of the security of an EMV chip transaction, in which each transaction contains a dynamic cryptogram that cannot be reused.

After trials over the last year, the tool is now live in a host of countries in Europe, the Middle East, Africa, Asia Pacific and Latin America. Brazil, Italy, United Arab Emirates and the UK will follow shortly.

Visa believes that with the world increasingly turning to digital payments amidst Covid-19, Tap to Phone can help millions of small and micro businesses quickly access the digital economy, prevent lost sales and improve cash flow. To help support take up, it has introduced a Ready for Tap to Phone programme, enabling technology companies to become Visa Ready certified and ensuring security standards. (Source date: 21 October 2020)