

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.

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Savantor's View

Savantor España launched to increase focus on Iberian region

Savantor is delighted to announce the launch of Savantor España, with Angel Benseny as its Managing Director.

Savantor España has been formed to focus on the specific needs of the banks and other financial organisations in Spain, Portugal and Andorra. Angel has over 30 years experience in payments systems. He worked for Visa and MasterCard International for more than 20 years in areas such as Operations, Risk, Business and Regulations for the Spain and Portugal markets. He has been managing Savantor's business in Southern Europe for a number of years and has actively participated in transformation projects at Barclaycard, Citibank and WiZink.

Angel Benseny, Managing Director of Savantor España said, "For several years, Savantor has successfully advised and supported clients in Southern Europe, operating from our UK base but also using local consultants and management. This success has resulted in the launch of Savantor España, so that the Savantor services will now be driven from Madrid. I am excited to take our business forward in this new phase using all my energy and industry knowledge. Together with support from Craig and the UK team, we will deliver the professionalism, expertise and availability that our customers expect from us."

Craig Oldroyd, Managing Director of Savantor said, "This is an important next step in the advancement of the Savantor brand, recognising the positive reputation earned in the Iberian region. The establishment of Savantor España will enable Angel to place a sharper focus on the needs of the region and adapt and develop its services accordingly. I look forward to supporting Angel and the Savantor España team as they continue to deliver service excellence to both existing and new clients."

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Products and Initiatives

First new bank in Israel for over 40 years

First Digital Bank, the first new bank in Israel since 1978, started operations this month on a trial basis, Reuters reports.

The bank, which Israel's banking regulator approved last year, has 140 staff and has begun opening current accounts and providing credit and securities management services for a closed group of customers.

In the third quarter, the bank will offer its services to 1000 additional customers before opening to the general public towards the end of 2021. (Source date: 15 March 2021)

Card issuers take steps to protect the environment

Some card issuers are considering how to work to protect the environment by looking to replace cards with recycled materials.

Starling has become the first UK bank to issue Mastercard debit cards made of recycled plastic. Existing customers will receive the recycled card when their current one expires and new customers will be issued the card upon joining the bank.

Spain's CaixaBank is also to start issuing cards made from recycled plastic and biodegradable components. The bank, which has more than 18.8 million cards issued, will this year stop using virgin plastic to manufacture physical cards. It expects 85% of new cards issued over 2021 to be made from sustainable materials, with about five million cards made from the new materials in circulation by the end of the year.

A spokesman for Mastercard commented about the move to using recyclable materials that "it's better for the environment, it's better for business and it meets evolving consumer needs". (Source dates: 10, 15 March)

Eftpos Australia to launch national QR code payment scheme

Eftpos, Australia's national debit card scheme, has announced details for a QR code payments network rollout covering online, mobile and high street transactions. The company aims to have the QR code payments network in trial by mid-year, with a national rollout expected to be completed in 2022.

According to Eftpos the move coincides with growing Australian familiarity with QR codes through daily interactions with Covid-19 check ins.

Separately, the company has also launched a new real-time deposit and withdrawal messaging capability through the Beem It mobile wallet, which it acquired in November last year. (Source date: 26 February 2021)

European banks seek technical partners to help build rival to Visa and Mastercard

The European Payments Initiative, a bank-backed joint venture that aims to build a rival to Mastercard and Visa, has put out a Request for Information for 'qualified technical partners' to help build its central infrastructure. The EPI, backed by 31 major Eurozone banks and acquirers Worldline and Nets, is striving to create a unified pan-European payment system, offering a card for consumers and merchants across Europe, a digital wallet and P2P payments.

EPI is currently assessing how the necessary central infrastructure could be obtained, or built, and how best it should be operated, "to sustain all the necessary scheme functions and needs, as well as the solution needs of the technical entity, in relation to the payment products EPI intends to deploy."

EPI also states: "In particular, determining the financial aspects of the different options for the setup, and the run of the central infrastructure is critical for allowing proper decisions and choices."

The entity is calling on potential partners to submit proposals under the RFI by 1 March. This will be used to establish a longlist of potential participants, who will be invited to submit a formal Request for Proposal later in 2021. (Source date: 24 February 2021)

Lloyds uses Mastercard's Open Banking Connect system

Lloyds Banking Group is interfacing with Mastercard's Open Banking software to enable customers to pay off their credit card bills via their mobile app and draw on funds directly from a current account of

their choice.

By initiating a PISP (Payment Initiation Service Provider) payment using Mastercard's Open Banking Connect system, Lloyds Banking customers will no longer need to re-key debit card details or set up the credit card as a payee from a current account using a different banking app.

The new offering is in addition to Lloyds' existing open banking features, which already allow customers to manage their money and compare current accounts from different banks. (Source date: 23 February 2021)

Mastercard launches Bahamian CBDC card

Mastercard is rolling out prepaid cards that can be loaded with the world's first central bank digital currency, the Bahamian Sand Dollar.

Originally piloted in 2019, the Sand Dollar became the first fully-deployed digital version of a country's fiat currency in October 2020. At that time, the Sand Dollar was exclusively accessed by registered users through a digital app provided by local payment service provider Island Pay at select merchants. Island Pay is now to issue a Bahamas Sand Dollar prepaid card that gives people the option to instantly convert the digital currency to traditional Bahamian dollars and pay for goods and services anywhere Mastercard is accepted on the Islands and around the world.

In the Bahamas, there are 700 small islands and more than 5000 square miles of water. Cash money movement becomes costly, which makes a central bank digital currency (CBDC) a preferred digital payment in the region. In the future, the Sand Dollar will be offered to tourists.

Mastercard is moving to position itself in the CBDC space, rolling out a testing platform for central bank crypto pilots and preparing its network to handle the direct processing of cryptocurrency payments later this year. (Source date: 17 February 2021)

Market News

Banks consider ATM pooling

According to RBR, with the Covid-19 pandemic accelerating the long-term decline in cash usage, banks are increasingly looking to pool or share their ATMs as a way to save money. Although there has been a prolonged decline in demand for cash in several countries, a trend exacerbated by the pandemic, banks still need to offer cash services.

ATM pooling - where banks relinquish ownership of their ATMs to a single deployer which operates a shared fleet - has been around for more than 40 years and is already well established in Finland and Sweden.

Now the big banks in both the Netherlands and in Belgium are in the process of following suit. There have also been moves towards ATM pooling in Australia, Indonesia and Japan in recent years. In Brazil, whilst the banks still manage their branch-based and some remote terminals, TecBan runs the country's shared ATM network and is by far the largest operator of non-branch ATMs.

Even in markets without formal ATM pooling arrangements, sharing machines through multibank networks is growing, taking place in Portugal and Switzerland. (Source date: 15 March)

European Banking Authority hit by cyber-attack

The European Banking Authority (EBA) was forced to take all email systems offline after being hit by a cyber-attack targeting its Microsoft Exchange Servers. The company has not been the only body under attack, with multiple hacking groups across the world exploiting vulnerabilities to backdoor unpatched servers.

Microsoft has issued emergency patches, but the patches do not disinfect systems that are already compromised.

As a precautionary measure, the EBA decided to take its email systems offline whilst identifying what, if any, data was accessed. It has since issued a statement saying that "The EBA email infrastructure has been secured and our analyses suggest that no data extraction has been performed and we have no indication to think that the breach has gone beyond our email servers."

Microsoft has attributed the attack to Hafnium, a state-sponsored hacking group operating out of China. (Source date: 8 March 2021)

M&S Bank to close all current accounts and instore branches

The banking offshoot of UK retailer Marks & Spencer is to close all of its current accounts and shut its 29 instore branches to focus instead on reward-based credit cards and digital payment services.

Launched in 2012 and with some three million customers, M&S Bank operates as a joint venture arrangement between HSBC and Marks & Spencer.

The move away from the traditional banking market has been brought about by the shifting consumer landscape and the digital progression in banking brought into sharp relief by the Covid pandemic.

The retailer says it will shut its bank branches in July and stop servicing current accounts in August. (Source date: 5 March 2021)

UK Finance outlines future model for Open Banking

Banking industry trade body UK Finance has set out detailed proposals for a new service company to replace the Open Banking Implementation Entity. The Competition and Markets Authority (CMA) is due to wind down the OBIE, handing over responsibility for running the UK's Open Banking programme to the banking and finance industry.

In its stead, the trade body is proposing the creation of a new service company, with firms paying "fair and equitably" for their use of central services.

It is proposed that the new entity will provide a set of service capabilities which meet the needs of the OB ecosystem and help ensure its stability and resilience. These include managing the centralised OB directory, maintaining technical standards and enabling future improvements.

The Financial Conduct Authority is currently working on proposals to extend open banking rules to a wider range of products, under a new model billed as 'Open Finance'. The organisation 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: 2 March 2021)

Contactless card limit to rise to £100

The Treasury has confirmed that the limit on a single payment using contactless card technology will rise to £100 later this year.

The pandemic has accelerated a move away from cash, with shoppers often being encouraged to use contactless in many stores for public health reasons. To protect workers and consumers during the Covid outbreak, an increase to the current limit of £45 was rushed through by the regulator in April last year.

The latest figures show that the proportion of contactless payments had fallen slightly compared with pre-pandemic levels, because lockdown measures have hit the use of pubs, restaurants and public transport. They accounted for 41% of card transactions. However, there was a 16% increase in the total value of contactless payments in the UK in October, compared with the same month a year earlier, according to the latest data from UK Finance.

Fears have been raised regarding fraud risks involved in contactless limits being raised further. Sky News reported that some major banks have sounded the alarm bell over the proposed new ceiling, preferring a more cautious staggered increase to curb the risk of fraud. Starling Bank for one has floated the idea of giving customers an opt-out mechanism from within the app. (Source date: 3 March 2021).

Facebook and Google involved in Indian digital payment network

According to the Economic Times, Facebook and Google are teaming up with Indian firms Infibeam and Reliance Industries on an application to set up a national digital payment network in India. This is in response to an initiative by the Reserve Bank of India inviting companies that build payments networks to create new umbrella entities (NUEs) offering an alternative to the bank-owned not-for-profit National Payments Council of India.

Apparently Google, Facebook, conglomerate Reliance and fintech firm Infibeam are at an advanced stage in submitting their plan to the central bank. Google and Facebook (through WhatsApp) are already significant players in the fast-growing Indian digital payments market.

Amazon is also rumoured to have teamed up with ICICI Bank to explore its own NUE plan.

The Reserve Bank is expected to award two licences. (Source date: 1 March 2021)

Bank of Ireland to close a third of branch network

The Bank of Ireland is to shut a third of its branches as it reaches a digital "tipping point" between online and offline transactions. The bank is to close 88 outlets in the Republic, reducing its network from 257 to 169, while in Northern Ireland the network will be reduced by 15 from 28 to 13.

The move is expected to generate €26 million in annualised cost savings.

According to the Bank of Ireland, the trend to digital banking has been evident for many years, with customers using branches less and less. The change in behaviour has been accelerated by Covid-19 with the result that there has been a seismic shift towards digital banking over the past 12 months. The Bank has now reached a tipping point in customer preferences between online and offline banking. 70% of customers are apparently now digitally active, with a 26% increase in customers registering for its new mobile app since launch.

The branch closure programme comes as part of a new three-year strategy to trim costs to €1.5 billion, entailing a reduction in 1400 full time roles achieved through voluntary redundancies. Up to 200 jobs will be impacted by the branch closures, which will mostly hit unmanned outlets. (Source date: 1 March 2021)

Mobile Money

Mastercard to assist with digital health pass solutions

Mastercard is joining forces with the International Chamber of Commerce (ICC) to offer up its technological skills in the creation of digital health pass solutions that can help accelerate the global recovery from Covid-19.

The partners say that governments are currently mostly relying on a range of paper-based processes to determine the Covid-19 test results and vaccine status of travellers. They plan to work with policymakers and business leaders to establish an enabling environment for interoperable digital alternatives that reduce fraud and reinforce trust.

The partnership builds on existing work - both organisations are part of the Good Health Pass Collaborative, an open, cross-sector initiative to create a blueprint for interoperable digital health pass systems.

In the past year, Mastercard has expanded tests of its digital identity service, ID, which is based on a decentralised approach, with users in control of their data. It has previously completed successful trials in Glasgow and London Gatwick airports to demonstrate what components are crucial to the success of a global, interoperable health pass. (Source date: 12 March)

Russian supermarket chain rolls out pay-with-face technology

Moscow consumers will soon be able to 'pay-with-a-glance' at over 200 outlets of Russian supermarket chain X5, thanks to a joint initiative with Sberbank and Visa. Developed by X5 in conjunction with Visa, customers can select the Pay with a Glance option in the cards or profile sections of the Sberbank Online mobile app and specify the card to be used for payment.

Currently available at self-checkout lanes in 52 X5-owned Perekrestok supermarkets, the new payment method is scheduled to become available at 150 outlets by the end of March, while in April several Pyaterochka convenience stores in Moscow are following suit.

A spokesman for Sberbank commented that even after the pandemic, the bank believes that facial payments will soon become one of the most popular ways of shopping in supermarkets. Apparently their research confirms that this type of biometric identification is gaining traction in Russia, with 70% of customers planning to rely on face payments going forward. (Source date: 11 March)

Icici registers one million other bank users for mobile app

India's Icici Bank says one million customers of other banks have started using its iMobile Pay app just three months after it opened up the service to the general public.

To start using 'iMobile Pay', customers of any bank can link their bank account with the app, generate a UPI ID and start paying to any UPI ID or merchants, pay bills, do online recharges and transfer money to any bank account, payment app and digital wallet. In addition, they can open a savings account and apply for a home loan or credit card with Icici.

The most used feature by new users is apparently the 'Pay top Contacts' functionality, which transfers

money either to a mobile number or a UPI ID of friends and relations. Other services such as 'Scan to Pay', 'Check Balance' and 'Bill Payments' have also seen a big uptake. Icici anticipates that the number of new-to-bank customers using 'iMobile Pay' will double in two months. (Source date: 8 March 2021)

Amazon opens checkout-free store in London

Amazon has opened a cashierless store in London that lets customers "just walk out" once they have collected their shopping, with payment automatically taken from their account. Already live in several Amazon Go stores in the US, the "just walk out" technology uses sensors, cameras and AI to track what items customers take from the shelves and then automatically charges for them via an app.

Shoppers identify themselves when they walk in by scanning a barcode within the Amazon app and then walk out when they have collected their goods.

According to the BBC, the technology has recently been improved to be able to tell between different bouquets of flowers, magazines and greetings cards.

In response to privacy concerns, Amazon says it will only associate information collected in the store with a customer's Amazon account for up to 30 days. (Source date: 4 March 2021)