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Payments Industry Intelligence

in this issue

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Payments CARDS & MOBILE
Payments Industry Intelligence

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welcome

Payments convergence gathering pace

The year 2012 saw many in the industry predicting that the convergence between cards, mobile and e-commerce was beginning to gain traction, and if 2013 so far is anything to go by, the lines between all three areas are becoming increasingly blurred. Are we approaching the point of payment singularity?

Not quite yet, because stubborn old foes refuse to disappear. The most pernicious of these remains card-not-present (CNP) fraud, which is enjoying something of a resurgence, judging by a slew of recent fraud statistics from around the world. As e-commerce in all its forms gathers pace, fraudsters are coming up with ever-more inventive ways to defraud banks and customers alike, and while EMV and other solutions have had the desired effect in combatting fraud in the physical world, in the online world, CNP fraud would still appear to have free rein.

The blurring of the payment lines also has implications in the wider industry. The death of the bank branch is quite some way off yet – what is happening is that bank branches, while certainly declining in number, are being revitalised and transformed into futuristic interactive customer service hubs that tap into consumers' growing desire for multi-channel access and service.

However, there is a risk for banks – those who are too slow to adapt will find themselves left behind in an age where consumers are becoming increasingly tech-savvy and fickle with their loyalties. Banks will also need to take a deep look at their existing business models and branch cost drivers.

Elsewhere, the use of technology in branch banking also provides an opportunity for banks to re-engage with their customers through a somewhat neglected touchpoint – the humble ATM. Over the decades, the ATM has gradually evolved from a simple cash-dispensing outlet to a multi-channel interaction point where bank customers can pay bills, make funds transfers and top up mobile phones.

Lastly, the inaugural mPOS World event, staged in Frankfurt on June 24-25 by the Empiria Group, brought together 220 delegates from 40 countries and is the first major event dedicated to the fast-moving mPOS space, which is becoming increasingly crowded with new entrants looking to capitalise on the ubiquity of smartphones and tablet devices worldwide.

Around 55% of current mPOS providers launched their solutions in 2012 alone, according to Empiria Group's analysis, highlighting how quickly the market has evolved over the past three years when mPOS was first discussed as an emerging trend.

Victoria Conroy,
Editor, Payments Cards & Mobile

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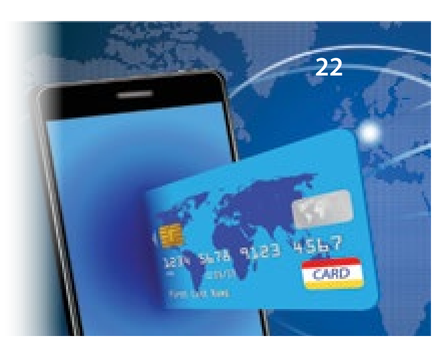


news in brief

PayPal could be on the verge of taking payments to infinity and beyond. The online payment giant is teaming up with members of the scientific community to explore the possibility of making payments in space, partly due to rising interest in space tourism initiatives from the likes of Virgin Galactic. "Creating a secure and functional commerce system that can operate in space at scale will not be easy, but with the support of the scientific community, other technology companies and the public at large, we hope to find the solutions to address these challenges," said PayPal president David Marcus.

Banks are being warned that the emerging trend of crowdfunding could bring a further wave of innovation and disruption. Economists at US bank BBVA Compass state that increased online and mobile device usage will increase competition from non-bank players. The bank has described the crowdfunding trend as "a disruptive innovation that commercial banks cannot ignore" due to lower operating costs, simpler product offerings and potential bank displacement.

MasterCard and Visa have been accused of preventing virtual private network (VPN) providers from accepting card payments. In the wake of the Edward Snowden whistleblowing scandal concerning internet surveillance, VPNs have enjoyed an uptick in usage, but according to Swedish payment services firm Payson, MasterCard and Visa have changed their policies to restrict anonymous usage.

Figures from the UK Cards Association show that debit cards are retaining their dominance in UK retail spending. In 2012, UK consumers used debit cards to make 7.7 billion purchases for a total value of £337 billion, accounting for half of the value of all retail sales. With 47 million cardholders in the UK, the average number of transactions for the year passed the 200 mark for the first time, reflecting an increased willingness to pay for small value purchases with plastic.

Another entrant has made its presence known in the mobile payments world. Mobile payments start-up Clinkle has raised $25 million in a seed funding round which included the likes of Intel Capital, Intuit and PayPal founder Peter Thiel. Clinkle was founded in 2011 by a US college student, Lucas Duplan, and is based on a smartphone app which is expected to be launched later this year.

MasterCard is launching a series of APIs and software development kits aimed at enabling small businesses to accept e-commerce and mobile payments. The new software tools are being made available under the Simplify Commerce brand, a business venture created by MasterCard's internal incubation unit within MasterCard Labs.

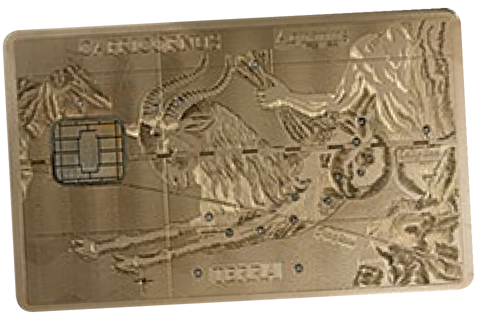
Turkey's Akbank has taken customer service to a new level with the addition of video chat to its online banking site. The full-HD video banking service is integrated with the bank's Genesys Contact Centre suite and operates across any desktop browser. Customers only require a webcam and microphone to dial in for a face-to-face video chat with a bank consultant.

Australia's ING Direct is predicting that mobile log-ins will soon overtake desktop access at its online banking site after recording a 280% increase in mobile interactions in 2012. The bank announced the figures to coincide with the launch of a new smartphone app that allows customers to view their account balance across all their products before logging in and transfer money to anyone in Australia.

Square, the mPOS payment player, is launching an online marketplace where small US businesses can sell merchandise. The marketplace, known as Square Market, will help small local firms find a wider customer base and also save money on expensive website development. The marketplace lets merchants open an e-store for free where they can then add product details, prices and photos, set up a profile and manage their inventory. Square makes money by taking a 2.75% cut of all sales made through the store.

The rising popularity of digital currency Bitcoin has led Tyler and Cameron Winklevoss, who famously tussled with Facebook founder Mark Zuckerberg, to float a Bitcoin trust. According to an SEC filing, the trust will initially offer one million "Winklevoss Bitcoin Shares", worth a total of around $20 million, to investors. It will act like an exchange-traded fund tracking Bitcoin's price.

UK consumers are content for banks to mine their personal data, particularly if it helps to protect them against fraud, according to a survey from IT specialist Infosys. The survey found that three-quarters of respondents are comfortable with sharing their personal information with banks. Around 86% of respondents expect their provider to mine their data to help fight fraud and 77% would even consider changing banks if a competitor offered assurances that their data and money would be safer.



Qatar National Bank is beefing up its bling factor with the launch of a credit card embedded with a diamond aimed at high-net-worth customers. The card has been launched in conjunction with MasterCard and is available on an invitation-only basis. The card has no pre-set spending limit and owners get personal travel advisors, around-the-clock dedicated luxury lifestyle concierge, bespoke personal shopping experiences at various destinations, and invitations to exclusive events.

A UK court has jailed three men for a phishing scam which reaped the personal details of around 30,000 bank customers around the world. Police arrested the gang members in 2012, after phishing sites which mimicked genuine banking sites started appearing. The fake sites fooled customers into logging on and providing their banking credentials, which were then used to steal money. According to the Financial Fraud Bureau, up to £59 million worth of fraud from 12,500 UK victims alone was prevented by the convictions.

Banks across the world may be downsizing their branch networks, but a US credit union is taking the opposite tack by deploying what it terms as "technology champions" in each one of its 76 branches to help members access mobile and online services. Rob Cummings, senior vice-president of online and mobile banking at Mountain America Credit Union, says that more transactions are already performed every day via the credit union's online and mobile services than in all of its branches combined.

A UK pub chain run by a former Cambridge University scientist has started accepting Bitcoins in exchange for drinks purchases. Stephen Early, director and co-founder of Individual Pubs, installed the first Bitcoin cash register app at his pub in Norwich, and other Bitcoin registers have since been deployed at the chain's other pubs in Cambridge, Peterborough and Hackney. Users scan a QR code on the till receipt to instantly convert the sterling transaction to the equivalent Bitcoin price.

Spain's Banco Sabadell has teamed up with POS manufactuer Ingenico to launch a mobile POS app and dongle which works across both chip and magnetic stripe cards. The app is initially available for the iPhone but will soon be available on Android and other platforms, according to the bank.

The fear of cybercrime has overtaken the eurozone crisis and economic malaise as the most pressing issue facing the UK's top banks, according to a senior Bank of England official. A series of Distributed Denial of Service (DDoS) attacks on US banks and a rising incidence of sophisticated hacking exploits by organised criminal gangs has raised the threat level for UK banks. The official stated that fears about potential damage to the financial sector from a large-scale cyber attack had been raised in recent meetings with five of the UK biggest banks, displacing the usual litany of economic worries.

card notes

UK

Impact of interchange regulation

A report commissioned by MasterCard from Europe Economics in conjunction with Professor Sheri Markose of the University of Essex has assessed the impacts of introducing interchange fee regulation in the UK card market.

According to the report, the Spanish and Australian experiences of the regulation of interchange show the transfer of costs from large retailers to consumers, who end up paying higher cardholder fees and increased interest rates in order to make up for the reduced revenue card issuers can generate from interchange. In addition, small businesses may see their card acceptance costs rise, resulting in the potential to distort competition in favour of larger firms.

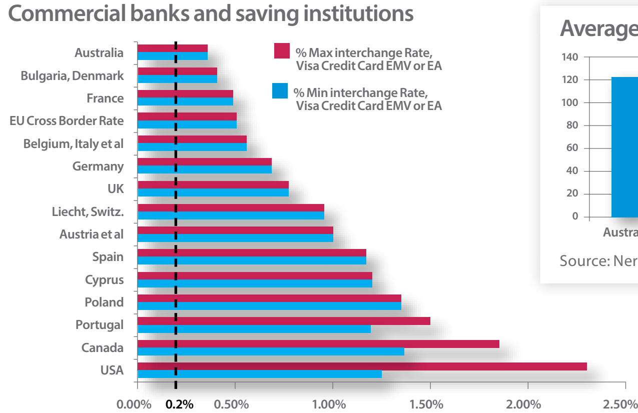
In common with other studies done on the impacts of interchange regulation, the report finds that retailers in other countries have not passed on these cost reductions to consumers in the form of lower retail prices.

The report warns that the modelled impact on banks, cardholders and retailers of introducing interchange regulation in the UK could lead to losses in card issuers' revenues of up to £2.4 billion, which as a result could lead to cardholder fees rising by up to £11 for debit cards and £25 for credit cards. Meanwhile, large retailers could reap savings of up to £2.2 billion, with no evidence that these savings are passed on to the consumer in lower prices.

Even if retailers passed on savings from their merchant service charge (MSC) reductions in full to consumers (which did not happen in Australia or Spain), prices would only fall by between £0.0003–£0.08 per transaction for debit cards and between £0.40–£0.59 per transaction for credit cards, while credit and debit card fees could rise significantly.

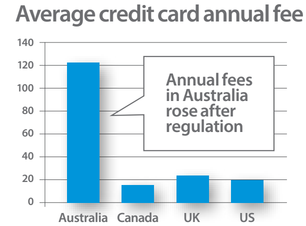
Commenting on the report, Damon Gibbons, director of the Centre for Responsible Credit, said: "The European Commission's plans to regulate interchange fees could have major implications for the government's ability to successfully implement welfare reform and will negatively impact on financial inclusion efforts in the UK."

Commercial banks and saving institutions



Source: FDIC, David Kerstein, Peak Performance Consulting Group.

Average credit card annual fee



Source: NerdWallet.com.

UK Comparison of loss in IF revenue, increase in consumer fees and reduction in MSCs

	Loss in IF Revenue (£m)	Increase in Consumer Fees (£m)	Reduction in MSCs (£m)
Scenario 1	1,528	1,528	1,390
Scenario 2	1,054	1,054	959
Scenario 3	2,405	2,405	2,189

Source: Europe Economics.

Visa and MasterCard face another US interchange lawsuit

The latest twist in the ongoing battle over interchange between US merchants and Visa and MasterCard has seen a group of around 30 merchants, including giants such as Amazon and 7-Eleven, filing a lawsuit against the payment schemes.

The move follows the settlement of a class action lawsuit in 2012 for $7.25 billion between merchants and schemes, but several merchants and affiliated groups have since gone on the offensive again.

The latest lawsuit filing alleges that Visa and MasterCard, having acquired substantial market power over merchants, have maintained their stranglehold by "forcing merchants to pay even higher interchange fees to continue to fund these price-fixing schemes."

But Trish Wexler, a spokeswoman for the Electronic Payments Coalition, hit back, saying: "These same tired arguments were already raised repeatedly over the course of the litigation. Had these arguments had any merit or strength, they would have been included in the final settlement."

Several other merchant groups are also in the process of filing their own lawsuits, but it appears that the payment schemes are in no mood to back down. Visa commenced litigation against retail giant Wal-Mart in June after the retailer rejected the initial settlement amid concerns that it would file a separate swipe-fee complaint.

In a statement, Visa said that it wanted to put a halt to "the continuation of endless, wasteful litigation."

Other retailers which have decided to file their own lawsuits include CVS Pharmacy and Macy's.

EUROPE

European Commission foolish to propose cap on interchange

The European Commission is proposing to cap interchange on all consumer debit and credit card transactions, a move which would have a major impact on revenue streams for banks operating in the European Union. However, commercial cards will not be affected.

The Commission is proposing a 0.2% ceiling on all consumer debit transactions and a 0.2% cap on credit card transactions to be introduced after a two-year transition period, with the cap only applying to cross-border transactions.

Any cap will be a severe setback for the payments industry, with many warning that card fees, such as annual fees, and other banking fees will be raised as a consequence in order to recoup lost revenues.

According to Commission estimates, the cap will reduce total European Union debit card fees from around €4.8 billion to €2.5 billion, while total credit card fees will decline from €5.7 billion to €3.5 billion. "High [fees] paid by merchants result in higher final prices for goods and services, which are all paid by consumers," according to the proposal.

Impact assessment

An early Commission impact assessment states that relying on a cap is harder to enforce and risks forcing existing domestic payment schemes with low fees to raise their rates. It also argues that a ban would "address the threat of 'exporting' the [interchange fee] model to new, innovative payment services" such as mobile and online systems.

In 2011, around 727 million payment cards were issued in the European Union with the value of card transactions exceeding €1.9 trillion. According to industry estimates, European merchants pay banks around €13 billion a year to handle transactions, and 70% of this charge is accounted for by interchange fees between banks handling the process.

In response to the proposed cap, a MasterCard spokesperson told *PCM*:

"We cannot comment on the specifics of a leaked draft document, however we can say that history has shown that the biggest losers in the event of interchange regulation are consumers and small businesses. We have seen this happen in Australia, Spain and the US. We continue to work with the European Commission to help it understand the value electronic payments bring to retailers, consumers and issuers and help them understand the potential unintended consequences of proposed legislation."

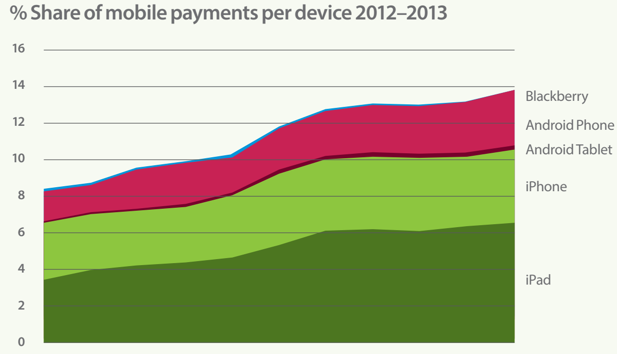
Mobile transactions growing strongly worldwide

Figures released by Adyen show that worldwide mobile payments transactions on its platform have increased by 75% over the last 10 months, with the total percentage of mobile transactions increasing from 8.2% in June 2012 to more than 13.8% in April 2013. Europe leads the world with 15.3% of all transactions made using a mobile device, followed by Asia (12.4%) and North America (11.2%).

With the exception of North America, where 58% of all mobile transactions are carried out using a smartphone, the iPad continues to be the dominant platform for mobile transactions around the world. The device now accounts for 6.6% of total worldwide transactions through April 2013 (up from 3.6% in June 2012) for a total 10-month growth of nearly 83%.

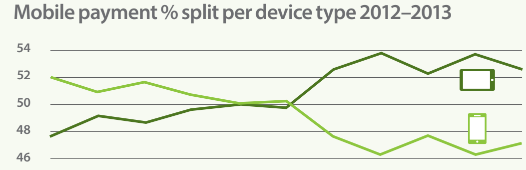
iPhone users accounted for 4.4% of total transactions, up from 3.1% in June 2012 (+42% growth). Transactions from Android phones nearly doubled from 1.1% to 2%, while use of Android tablets more than doubled from 0.3% to 0.7% of total transactions.

% Share of mobile payments per device 2012–2013

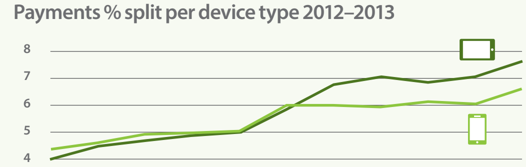


Source: Adyen Mobile Payments Index.

Mobile payment % split per device type 2012–2013



Payments % split per device type 2012–2013



NETHERLANDS

Cash finds favour with Dutch central bank

The war on cash continues unabated, fuelled by payment players and other vested interests who have long cited that the cost of cash is a detriment to society as a whole. However, cash has found a somewhat surprising ally in the Dutch central bank (De Nederlandsche Bank or DNB), which has stated that it is committed to "maintaining cash as a universally usable and available payment instrument and a smoothly functioning cash chain".

Figures from the DNB show that the volume of debit card payments at Dutch POS locations increased from €81 billion in 2010 to €84 billion in 2012. At the same time, cash withdrawals at ATMs dropped from €52 billion in 2010 to €49 billion in 2012. This means that in terms of transaction numbers, cash remains the dominant payment method, with 3.8 billion cash payments made at Dutch POS locations in 2012 compared to 2.5 billion card transactions.

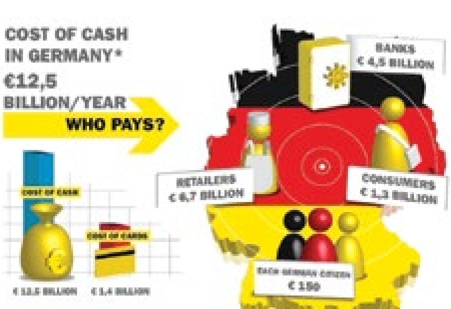
Although the DNB acknowledges that payment cards are a more efficient method of payment, it maintains that cash is still the only means of payment that is accepted virtually everywhere, while it also serves as the principal alternative in case the electronic payment chain should break down. It also has a key role to play in promoting financial inclusion among the underbanked sectors of the economy and preserving consumers' right to privacy.

While the DNB is encouraging alternative forms of payment, it also adds that it would regard any larger-scale refusal or pricing of cash payments as "undesirable".

In a bulletin posted on its website, the DNB states: "Cash should remain generally available as an all-purpose means of payment, implying that consumers must be readily able to withdraw and deposit cash from and into their bank accounts. Retailers, in turn, should have easy means at their disposal to deposit counter receipts into their bank accounts."

The cost of cash to the German economy

In a stark reminder about the costs of cash to society, a team of academics in Berlin have released the results of a study which shows that the total cost of handling physical cash in the German economy has been estimated at €12.5 billion per year. The study, conducted by the Research Centre for Financial Services at Steinbeis University, found that each German citizen pays around €150 per year to keep the cash system operational.



Source: Prof. Jens Kleine, Steinbeis University.

Cash costs come in the form of production costs, transportation costs, insurance costs, cash handling, security and through to losses of interest. With €6.7 billion, the largest burden is carried by merchants, followed by banks with €4.5 billion.

The study also considers the ways in which countries can reduce cash payments, including implementation of limits for cash transaction amounts that exceed a specific level and banning or limiting cash payments for cigarettes and other cash-based vending machines.

Are electronic payments fuelling financial exclusion?

On the flip side of the arguments over the benefits of cash to society, one group is arguing that electronic payment methods such as cards and mobile may in fact be fuelling financial exclusion by making it more difficult for consumers to pay with cash.

A study on the impact of new payment systems and financial exclusion in the UK, France, Italy, Poland and Sweden was commissioned by the European Foundation for Financial Inclusion (EUFFI). The study states that cash is the most important and often the only means of payment for those at risk of exclusion, adding that it is becoming harder or more expensive to pay in cash.

It cites examples such as unsuccessful asylum seekers in the UK who cannot receive state financial support in the form of cash but only plastic payment cards, while elsewhere in Europe, cash is not accepted in school canteens in France or public toilets in Sweden.

The study underlines that vulnerable groups such as migrants, low-income, over-indebted, old and disabled people are reportedly experiencing difficulties in using new payment systems or cannot have access to them for different factors (lack of digital literacy, income, residential status, mobility and more).

The report concluded: "It is no longer acceptable that millions of Europeans are restricted from having a bank account. It will not be acceptable that new payment technologies, of which it is also important that Europe maintains its technological command, have the effect of reinforcing the exclusion of some consumers. The access to basic banking services and traditional means of payment, such as cash payments or paper-based transactions, must become a universal right. We need to pay special attention to vulnerable consumers."

EUROPE

Financial fraud: a protean threat

A new report from consultancy Value Partners and law firm Locke Lord has profiled how this ever-present threat risks undermining commerce, banking and entire economies.

Given that fraud is one of the most innovative of industries, with security measures often outdated before they are even adopted, a looming area of vulnerability exists, for example, in the mobile channel, which implies that fraudsters may well move onto m-commerce once the roll-out of 3D-Secure authentication improves the security of e-commerce. This challenge is compounded by the fact that the legislative framework in which electronic payments operate is relatively slow-moving.

Focusing on first-party and third-party fraud, the report states that the cost of third-party financial fraud in Europe was over €3 billion in 2012 and is set to increase, despite recent declines as a proportion of total spending. Globally, card fraud alone is expected to reach over €7 billion per year by 2015.

First-party fraud, meanwhile, may cost as much as €1.8 billion annually within the EU, although this could be an underestimate, since such fraud statistics are often conflated with standard bankruptcy write-offs. Beneath this larger picture of financial fraud, however, lies a fraud landscape that is highly fluid and reactive to technological and legislative change. EMV migration seems to have not reduced the total cost of fraud, and moreover has stimulated an increase in CNP fraud, from 42.3% to 55.7% of total card fraud.

The consequential implementation of 3D-Secure systems across e-commerce in response to this enhanced CNP threat – with American Express notably joining MasterCard and Visa in the 3D Secure initiative scheme from 2010 – has most recently led to an increase in identity fraud, as criminals innovate further to circumnavigate such security checks.

These trends are reflected in the illegal card and account details market, where the price of stolen credit/debit card details has fallen in recent years to a unit price of $0.01 for a batch order because of low demand, whilst the cost of hacked bank account information remains much higher, with prices of $10 to $1,000 per account.

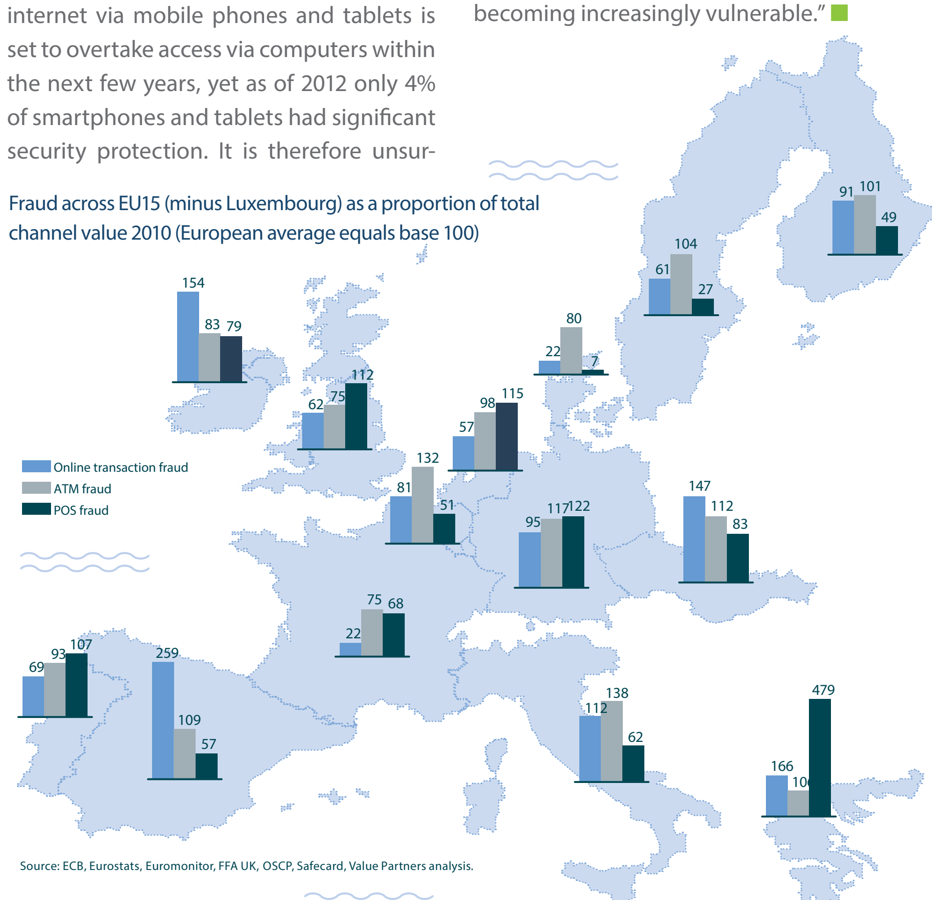
There are also important trends within Europe between countries. The most recently published data shows that card fraud has migrated from the UK to other countries within Europe, especially Germany and France. This is because of the former country's full adoption of EMV and widespread use of neural pathway software, something in which the other countries are lagging behind.

Worryingly, mobile banking is identified as a further fraud frontier. Access to the internet via mobile phones and tablets is set to overtake access via computers within the next few years, yet as of 2012 only 4% of smartphones and tablets had significant security protection. It is therefore unsurprising that the UK saw a 48% increase in mobile banking fraud between 2010 and 2011, a trend that is replicated worldwide and looks set to continue into the future.

The report states that there are two key challenges that need to be addressed to improve mobile banking security. Firstly, mobile banking application software must be developed to better secure the currently simplistic online authentication model used by smartphones. Secondly, customers need to be educated with regards to online phone security.

Francesco Burelli, partner at Value Partners, and Robert Courtneidge, consultant at Locke Lord, state: "To tackle such a subversive, sophisticated and perpetual threat requires action on multiple flanks; investment and technology developments from the financial services industry can only go so far to meet the challenges. Co-ordinated cross-border legal, investigative and prosecution efforts are also integral. Without these efforts, economies risk becoming increasingly vulnerable."

Fraud across EU15 (minus Luxembourg) as a proportion of total channel value 2010 (European average equals base 100)



Source: ECB, Eurostats, Euromonitor, FFA UK, OSCP, Safecard, Value Partners analysis.

EUROPE

Digital banking on the rise in Europe

Efma and Exton Consulting have published the second edition of the "Digital Channels" European barometer on the use of digital channels in banking relationships across Europe. The study, which covers France, Germany, Italy, the Netherlands, the UK, Poland and Turkey, tracks how consumers connect to their bank and the channels they use.

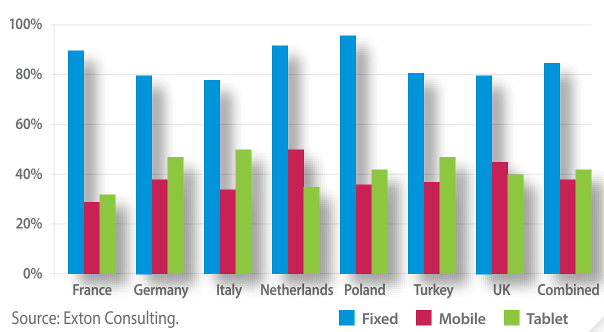
The main findings of the report include the fact that the number of European internet users owning smartphones and tablets has surged over the past year, increasing from 58% to 68%. But it is tablet ownership which has recorded the strongest growth: it has multiplied by a factor of 2.5 and today one in four European internet users has a tablet device.

The proportion of fixed internet banking users is stable at 85%. However, the 20% increase in the number of times that customers log into their bank's website on an annual basis is a sign that internet banking is increasingly rooted in customer behaviour. On average, internet users now log into their bank's website once every three days. It is also noteworthy that the proportion of daily users of internet banking has increased significantly: 25% of internet users interviewed log into their bank's website every day, i.e. + 6 percentage points versus last year.

Significantly, 38% of smartphone owners and 42% of tablet owners use their mobile device to log into their bank's website into banking apps. However, the proportion of exclusively m-banking users is only 1%. In all countries, m-banking users are first of all internet banking users.

The study concludes that in response to the development of these usages, banks must therefore develop an approach specifically tailored to these new channels, with constantly changing usage trends. In order to successfully navigate this digital shift, banks need to call upon new skills and expertise honed by the digital economy, outside the traditional banking sector.

Fixed internet banking, m-banking and tablet-banking user rates



Source: Exton Consulting.

Omni-channel retail needs joined-up approach to fraud

The Retail Fraud Survey 2013/14, published by retail consultancy Retail Knowledge, has found that fraudsters do not distinguish between in-store and online in today's retail environment and nor should loss prevention. Shrinkage could be greatly reduced simply by retailers joining up their approach to fraud.

The survey reveals that typically, the head of loss prevention focuses on stores and online shrinkage is managed separately, so shrinkage levels could potentially be reduced by retailers who have a more holistic approach to profit protection across all sales channels.

Furthermore, those same retailers expect online sales to increase from 12% currently to 27% in three years. As online grows, the study predicts, retailers will restructure so that all loss prevention, store and online, is managed together. However, during the last three years of the survey, there has not been much sign of a change, it reports.

Iran – E-payment on the rise

A surprising case study on the usage of payment cards in Iran has highlighted how favourable regulation towards merchants has helped to encourage the uptake of cards in a country where foreign payment providers have found it notoriously difficult to enter.

Electronic banking is on the rise in Iran despite the scarcity of foreign banking technologies in the country, which has helped local IT firms to excel in developing the state-of-the-art electronic banking services.

One factor which has led to electronic banking becoming increasing popular is a decision by Iran's government to offer a merchant discount rate of 0%, which resulted in a significant increase in the number of POS terminals at merchants and retailers.

By offering a 0% rate for credit or debit card transactions at the POS, this meant that money could be transferred from a customer's bank account to the merchant's bank account instantly by the use of locally developed modern payment technology including a combination of payment switches, clearing houses and core banking systems, giving merchants access to their earned money immediately. Cardholders also did not incur a fee for using a POS terminal service.

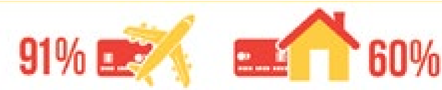
Speaking to *PCM*, Usman Qureshi, international business developer in the banking solutions department at Fanap, an Iranian payment solution provider, said: "There is no surprise then that there is a huge number of debit and credit cards now being held in Iran, with a total of 174 million for a population of 77 million. A cultural change was required to take the merchants on board to make the POS services in Iran a success. Merchants in Iran often deploy more than one terminal to enjoy different relationship with each issuing bank and also make use of the bank's special offers."

EUROPE

MasterCard: Europeans say no to cash this summer

New research from MasterCard shows that Europeans want to enjoy cash-free holidays. The survey shows how people across Europe prefer having their cards on hand on holiday, more than the rest of the year: 91% of them carry their cards while on holiday vs 60% at home and over half or 53% of those questioned would like to pay more by card when on vacation.

Europeans want to enjoy cashfree holidays!



91% carry their cards while on holiday vs 60% at home

Reasons Europeans cite to pay by card on holiday are convenience (65%), fear of cash being stolen (41%), security (38%), not having cash on hand (37%), speed (34%) and better tracking of expenses (30%).

Additionally 44% of all Europeans are convinced cash will soon become a thing of the past, thanks to the speed of innovation occuring in the payments market.

A staggering 50% of European consumers believe that cash is the cheapest way to pay, but in fact every single person actually pays – usually without knowing it – to process, circulate and protect that hard currency. For instance, cash costs every German citizen €150 a year.

card not present

Countering the threat of CNP fraud

Card-not-present fraud levels are rising in many regions despite intense efforts to combat this pernicious threat. What is the industry doing to counter it?

by Victoria Conroy

It is a common saying in the payments industry that fraudsters always manage to stay one step ahead, but judging by a slew of recent fraud statistics from around the world, it would appear that the fraudsters are sprinting ahead at an alarming rate. In the emerging era of payments convergence, with the lines between cards, mobiles and e-commerce becoming increasingly blurred, card-not-present (CNP) fraud presents by far the biggest worry for the industry as a whole.

In Australia, card fraud levels have risen at an astonishing rate, according to the Australian Payments Clearing Association (APCA), rising by 171% from A$101 million in 2006 to A$276 million in 2012. Furthermore, the number of fraudulent transactions taking place down under had also risen by a mammoth 350% in the same period of time.

One emerging trend coming from Australia is that fraudsters are shifting from fewer, high-ticket value fraudulent transactions to a larger number of low-value frauds. There is more CNP fraud occurring online, with CNP fraud numbers more than doubling from 2009 to 2012, now representing 78% of all fraud. Even though cross-border CNP activity experienced a 4% rise year-on-year, this is nothing compared to the 37% jump seen within Australia itself.

This trend is consistent with the CNP fraud explosion that has occurred across the globe. CNP fraud is rising everywhere, as online shopping has increased. In Europe alone, CNP fraud value saw a rise from €571 million in 2007 to €648 million in 2010, according to figures from the European Central Bank (ECB).

CNP accounts for bulk of fraud

In July 2013, the ECB published its second fraud report covering fraud trends across the eurozone, with data up to the end of 2011. Although card fraud has been on a declining trend since 2007, thanks to technological advances that are making transactions safer, fraud is migrating to countries where the technology remains less developed.

From 2010 to 2011 there was a further decrease in the value of fraud, despite growing card usage in SEPA which comprises 32 countries. The total amount of fraud was €1.16 billion in 2011, representing a decrease of 5.8% since 2010. But around 56% of the value of fraud resulted from CNP payments, with the remainder coming from POS terminals and ATMs.

CNP fraud, which has been on an upward trend over the past few years, has stabilised, but remains the largest category of fraud. It saw an increase in its absolute value from €648 million in 2010 to €655 million in 2011 (or from 52% to 56% of all fraud in relative terms). The vast majority of CNP payments (73%) were initiated over the internet. For delayed debit and credit cards, CNP fraud was the most used fraud channel, accounting for 68% of all fraud, while for debit cards, CNP fraud was most common, accounting for 48% of all fraud.

Figures released by the UK Cards Association show that despite the introduction of EMV, fraud losses on UK cards totalled £388 million in 2012, a 14% increase from total fraud losses of £341 million in 2011. The increase is especially notable because it follows three years of significant decreases (in 2008 fraud stood at £610 million).

More worryingly, losses on CNP transactions rose by 11% in 2012, but the UK Cards Association is keen to stress that this needs to be seen in the context of the sharp 18% increase in card spending on the internet (reaching £63 billion) over the last year. It seems that the overall 2012 rise in fraud levels was driven by a return to less sophisticated scams, such as ATM skimming and duping customers into handing over their own cards and PINs. This is evidenced by online banking fraud rising 12% in 2012 to £39.6 million, largely driven by phishing scams, and fake websites which have tricked consumers into giving away their online banking log-in details.

But as always, CNP fraudsters are continually evolving their methods, emphasising the need for banks to have highly efficient and quick-response fraud detection systems in place. Increasingly, banks and other players are deploying real-time self-learning analytical systems to deliver lower false positive ratios and higher detection rates.

Increased use of real-time analytic models

An example of such a system is the Falcon Fraud Manager from analytics specialist FICO. According to FICO, card issuers using its solution have dramatically cut CNP fraud losses from credit cards over the last two years, from £28 million in April 2010 to less than £12 million in March 2012.

"CNP fraud is now the top focus for card fraud across the Europe region, as issuers look for new technology and best practices to stop the most widespread form of card fraud," said Martin Warwick, FICO's fraud chief in the EMEA region. "Criminals are migrating to the easiest way of using compromised cards, which today is the internet. For example, fraud as a percentage of internet sales in the UK is 22 basis points (0.22%), which is double the rate for credit card transactions overall."

However, in the UK at least, there are still security challenges to overcome. It is estimated that over 1 billion call recordings stored by thousands of UK financial services firms containing payment card details are putting the UK financial sector at risk of breaching PCI DSS regulations, and further exposing the industry to the risk of CNP fraud. Thanks to insufficient data security protocols, these card details can be accessed, downloaded and sold on the black market.

The issue of toxic legacy data has come about because many financial services organisations are required by the Financial Conduct Authority (FCA) to retain and protect call recordings in case they are needed during the resolution of complaints or disputes, or for regulatory reasons. Some companies subject to financial sector regulations have policies to store recordings for up to seven years.

However, FCA rules conflicts with PCI DSS regulations that only permit merchants to store payment card details for a legitimate reason and, if they have to, to protect that data to the PCI standard. Although new methods can stop payment card data being recorded during calls made today, historical calls recordings stretching back many years do contain payment card data, and these recordings foul of the PCI regulations.

Matthew Bryars, CEO of card security software specialists Aeriandi, estimates that while the proportion of recorded calls that contain payment card data will vary, they could easily rise above 50% in contact centres processing large numbers of CNP transactions. "We believe up to 1 billion call recordings containing toxic legacy data now exist in the UK as a subset of the tens of billions of overall call recordings made over the past seven years. While it's fine for most call recordings to be stored in any old storage system, any legacy toxic call recordings must be stored within PCI DSS requirements."

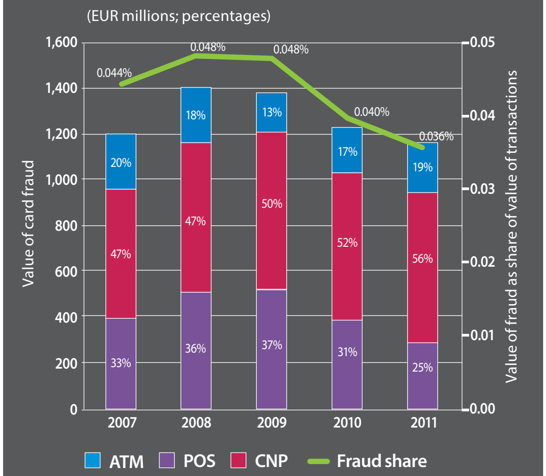
According to Bryars, payment card data stolen from call recordings is most likely to be used for CNP fraud.

According to Maria Nottingham, executive vice-president and CMO of Compass Plus: "With the proliferation of online transactions and the increased usage of the mobile phone as a payment device, the risk of fraud has never been more apparent. As the loss on UK CNP transactions rose by 11% in 2012, it is clear fighting fraud is a 24/7/365 challenge for financial institutions.

"Increased user authentication such as two-factor authentication, dynamic passwords, hardware tokens and various combinations of these have been implemented by financial institutions to minimise the risk of fraud at the consumer level. Some financial institutions have also introduced proportional security to address customer convenience yet still keep maximum customer security.

"A multi-layered approach to fraud protection that provides a range of measures across multiple channels, transaction types and objects is the most effective. Financial institutions need to seize the initiative and demonstrate that they are ahead of the curve when it comes to fighting fraud. A collaborative, integrated, and multi-level layered approach will enable financial institutions to offer their customers peace of mind, guard against brand damage and fines resulting from data breaches, and ultimately reduce the cost of fraud." ■

Evolution of card fraud value using SEPA-issued cards



Source: All reporting CPSs.

Transforming the branch

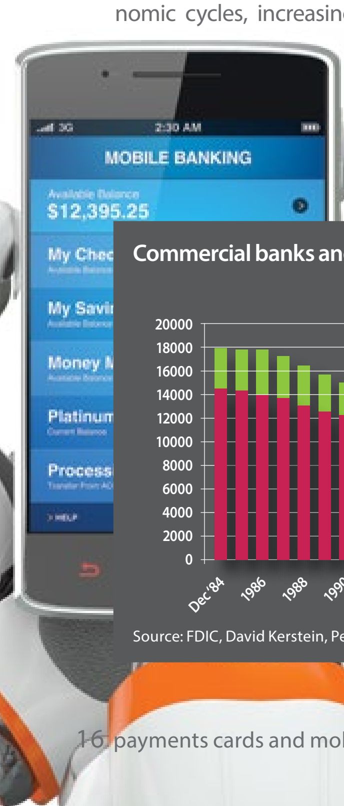
As financial institutions divert more resources into futuristic customer service innovations, does this spell the end of the bank branch as we know it?

by Victoria Conroy

Many science fiction novels and films have long had a recurring theme, that of automation and robots displacing the need for humans. And in the real world, one only has to look at how the introduction of automated processes in industries such as manufacturing has impacted on levels of employment.

The bank branch has long been regarded as the cornerstone of customer and bank interaction, but as technology developments roll out at an increasingly rapid pace, could the same displacement be happening to bank branch networks? As customers turn to internet, phone and mobile banking in ever-increasing numbers, bank branch numbers are declining at a steady rate.

In the US market, banks spent the last 40 years building up significant branch networks across the country, helped by booming economic cycles, increasing financial inclusion and consumer interest in a much wider range of products and services than ever before.



US payment consultancy Celent states that since 1970, the US saw a growth of 281% in the number of bank branches, giving a compound annual growth rate of 3%. This meant that US branch growth over the last 40 years dramatically exceeded US population growth. In 1970, there were approximately 107 branches per million individuals. By 2011, that had grown to 270 branches per million.

Technology and cost prime factors

While the economic crisis of 2008 certainly played its part in banks cutting costs, reining in employee numbers and branch outposts, it appears that technology is the driving factor in the current wave of branch closures taking place. According to US research firm SNL Financial, in 2012 US banks closed over 2,200 branches, leaving a total of 93,000, the lowest level since 2007. SNL Financial is predicting that over the next decade, the figure will drop to around 80,000.

Celent warns that banks have not adapted quickly enough to changing consumer preferences, nor have they come up with contingency plans which incorporate the rising use of other points of customer interaction, such as mobiles and tablets.

And this trend is not just happening in the US, but in the developed markets of western Europe and parts of Asia as well. In the UK alone, banks such as RBS and Lloyds are just a few who have recently taken the axe to their bank branch numbers.

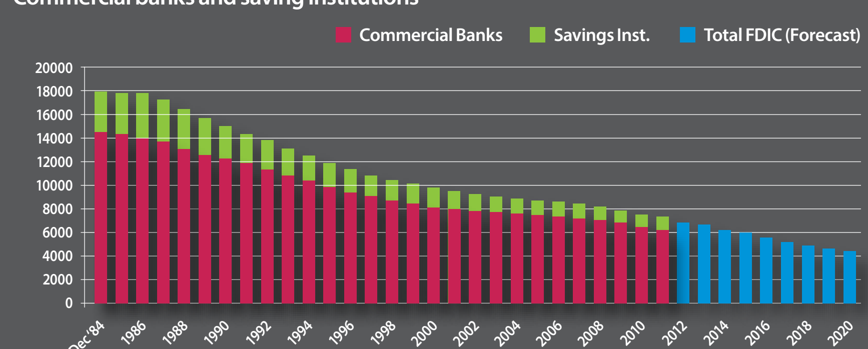
Speaking to *PCM*, Maria Nottingham, executive vice-president and CMO of Compass Plus, said: "There are two primary reasons why branches are closing. Branches are a significant cost to banks looking to tighten their belts in the wake of the economic crisis. For most big retail banks, renting, equipping and staffing branches can easily account for 40-60% of their total operating costs, according to the Economist.

"The second is the growing use of mobile and online banking. Many consumers, especially younger ones, rarely visit a branch and manage their account remotely. However, internet and mobile banking channels are almost exclusively for existing customers. In contrast, branches are shop windows that enable banks to display products and services to entice. Branches are more effective at selling new products, especially more lucrative ones, as it offers face-to-face contact. The only other place banks get this opportunity to sell to competitor customers is at an ATM.

"Furthermore, when we talk about the death of branch banking, we concentrate on consumers and forget about small and medium-sized businesses. For these customers the branch could indeed be their only channel, especially when opening a new bank account or applying for other services."

Oscar Sanderson, senior marketing consul-

Commercial banks and saving institutions



Source: FDIC, David Kerstein, Peak Performance Consulting Group.

tant with Welcome Real-time, says that the growing trend of branch closures in several countries around the world is primarily a way for banks to cut costs. "The thinking behind this is logical: branch banking is expensive so it makes sense to drive customers to channels such as online and mobile which still provide a wide range of services but are cheaper for the bank to operate."

The need for human interaction

While much has been made of customers' increasing preference for interacting with their bank through new technology channels, Nottingham says that there is still a real customer need for face-to-face interaction at the bank.

"Whilst most of us would like our banking to work perfectly, inevitably things will go wrong. 46% of UK consumers are happy to use mobile banking for services such as account balance enquiries, but as soon as something goes wrong a customer will want to speak to a person, or better still, go to a branch and speak to a person. This is especially true of those used to visiting their local branch.

"There are also services which customers prefer to use a branch for – opening an account, applying for a mortgage, seeing a financial advisor – and there is no sight of decline there. For example, research from Empathica revealed that 78.7% of consumers preferred to visit the branch for major transactions, such as a home loan."

Sanderson concurs with this viewpoint, saying: "While self-service banking channels have experienced significant growth in recent years, customers are becoming increasingly fickle. Customers also prefer to meet with bank staff in the branch to discuss complicated or sensitive issues such as mortgage or loan applications. It's difficult to foresee a time when customers would opt out of meeting with the bank manager to talk through their options.

"What's important is that banks are able to strike the delicate balance between putting in face time with the customer, while encouraging them to use cheaper self-service channels when appropriate. Rewarding the customer for its relationship with the bank and using rewards and offers to cross-sell services is also key to building a meaningful bond and boosting loyalty."

According to Ben Robinson, director of strategy at Temenos, which has recently conducted a study of over 200 senior bankers around the world over their strategic priorities, global financial institutions see their biggest challenge as retaining the loyalty of their more demanding and well-informed customers, while 29% believe satisfying and retaining customers is the biggest industry challenge at present.

"Competition from challengers is seen as a major threat – more than 50% named competitors from outside of the industry, such as supermarkets and peer-to-peer intermediaries, as their biggest threat. The fastest-growing threat is posed by payment providers, such as PayPal, which banks increasingly acknowledge could take over the customer interaction," Robinson said.

Transforming the branch

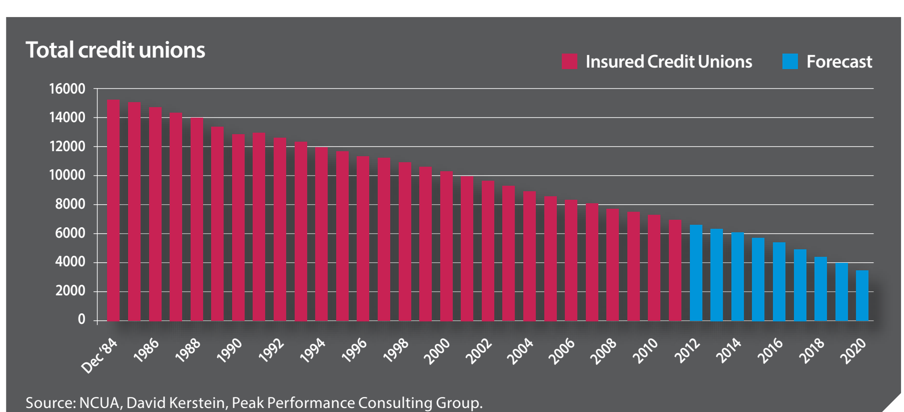
"The branch is seen as a key focus area to beat the competition. Interestingly, it is not just online channels that are moving up the corporate agenda. Firms increasingly see the branch as a key plank of a multi-channel strategy. Taken together, 31% of respondents cited channels and branch as a top priority compared to 20% in 2012, representing a very clear change in corporate strategy.

"What is interesting about the findings of our survey is the extent to which industry players now seem to be reacting. The industry has changed its corporate priorities to focus on those areas such channels, product innovation and IT modernisation that can help it react more quickly to market changes, build competitive differentiation and improve the customer experience. The industry also appears prepared to do things differently, as evidenced for example by a fast-growing adoption of cloud-based applications. What is clear is that those financial institutions that react quickest will be best placed to succeed over the coming years."

The research also revealed the ongoing importance of good customer service, with approximately a quarter of UK consumers admitting they had considered swapping banks and insurance providers after bad customer service experiences.

Even the rise of social media has not dented customers' need for bank branch interaction. The research revealed that UK consumers are not convinced by social media's effectiveness for customer service, with just 3.1% using Facebook and 1.2% using Twitter to interact with their bank provider. More than half of consumers (55%) would rather an issue was resolved in private rather than complain about bad service via social media.

Nottingham says it is foolish to imagine that branches will disappear – rather, they will be transformed into fully interactive service environments. "In the current economic climate and with technological advances, it is inevitable that the number of branches will decline as banks seek to rein in spiralling costs. However, I do not believe that it will spell the end of branch banking. Banks will become smarter, optimise their branch network and offer an entirely different experience. The number of bank branches will decline but it will be a long time until we see the death of the branch."



Source: NCUA, David Kerstein, Peak Performance Consulting Group.

ATMs at the forefront of customer interaction

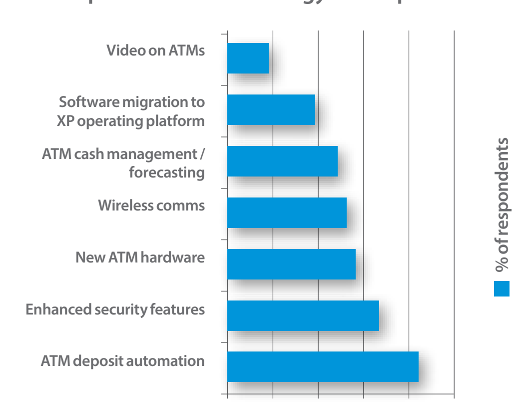
How will the advent of interactive ATMs worldwide redefine these traditional touchpoints?

by Victoria Conroy

Amid the wave of technology innovation sweeping the payments industry, it is easy to forget the important role of one banking stalwart – the ATM. From its humble beginnings over 40 years ago, with the launch of the first prototype ATMs in the UK, the ATM has gradually evolved over the decades from a simple cash-dispensing outlet to a multi-channel interaction point where bank customers can pay bills, make funds transfers and top up mobile phones. With around 2.3 million ATMs now deployed around the world, for many bank customers, the ATM represents the primary, or in some cases sole, interaction point they have with their bank.

However, ATMs also represent a significant cost centre for banks, due to the need for ongoing maintenance and cash replacement, links to telecom networks, operating systems and software. For these reasons, banks have been somewhat slow to adapt their ATM networks in line with changing customer usage.

Most important ATM technology development



Source: ATMIA 2013 ATM Innovation Survey.

Interactive ATMs for the digital age

In the last few years in particular, banks have begun to pay more attention to how best to utilise the ATM in order to retain customers, and in the age of the iPad and other tablet devices, terminal manufacturers such as NCR and Diebold are rolling out state-of-the-art terminals which mimic many of the features that tech-savvy consumers have come to expect as standard. Today, new generations of ATMs incorporate functions such as touch-screen technology, video displays, and an ever-increasing array of options and services.

Not only does this increased functionality help to attract customers, it also frees up bank employees to focus on cross-selling and other revenue-generating lines of business.

According to Maria Nottingham, executive vice-president and CMO of Compass Plus, the ATM can act as one-stop-shop for today's breed of bank customer. "In the retail banking industry today, people are being inundated with information about new payment channels with everything new and different being pushed to the front of the news. These new channels are exciting and should not be overlooked, however, financial institutions should not ignore or underutilise the channels that are already in place," she told *PCM*.

"New channels are exciting and should not be overlooked, however, financial institutions should not ignore or underutilise the channels that are already in place"

"In many markets across the globe, ATM innovation has led to a complete overhaul of this self-service banking channel that now enables users to complete an impressive array of functions and allows financial institutions to tap into segments of the market that other channels cannot reach. ATMs are uniquely positioned to drive customer acquisition as the only channel where banks have direct and inexpensive contact with their competitors' customers and can demonstrate their differentiators in terms of service quality and product variety."

However, despite the war on cash being fought on several fronts at the moment, it is unlikely that ATMs will ever become cash-free. According to Nottingham: "Regarding cash withdrawals, the role of cash in payments will continue to decline, but it's unlikely it will disappear altogether in the foreseeable future. Due to this customers will continue to withdraw cash from ATMs, giving banks a good opportunity to promote new e-payment transactions."

According to Mike Lee of ATMIA, the global ATM industry body, the continuing usage of cash at the ATM does not represent a challenge to the banking and payment industry, but rather an opportunity to increase revenue.

Cash as a revenue opportunity

"When it comes to cash, which is not going anywhere for several decades given the robust demand for cash across the world, even small financial institutions and credit unions with a handful of ATMs are installing advanced-function units with automated deposit capabilities. Cash depositing has been a leap forward for ATMs and for cash. It enables a system of continuous cash recirculation to take place, which decreases costs for transporting and replenishing cash, helping to keep cash, still the main product of ATMs, competitive."

Lee adds that in recent years, adoption of automated deposit-taking ATMs has increased sharply. By 2009, 464,000 such machines had been installed in 46 countries, with a compound annual growth rate of 20%. Figures from Retail Banking Research predict that the number of deposit-taking ATMs is likely to rise to 1.3 million out of a total ATM base of 3 million by 2015.

In June 2013, ATMIA published the results of its 2013 ATM innovation survey, the first survey of its kind, determining the most important ATM innovations in recent times along with value-added services over and above core ATM functions.

Respondents cited deposit automation as the most important non-core function of the ATM, at 42%. "The international success of deposit automation shows the value of innovation at ATMs and we believe we are now entering the most intense period of innovation in our industry in recent memory," said Lee.

Respondents to the ATMIA survey cited the area most in need of improvement and modernisation being security surrounding the ATM, with 32% selecting that area, with an awareness of the need to modernise the connection to mobile devices coming closely behind in second place.

Overall, the main emerging trend for ATMs is the need to have greater linkages in place between ATMs and customer-owned devices in order to create a payments hub where online payments, mobile payments and ATM transactions are interconnected in a seamless customer-focused system.

Certainly, several bank and ATM players around the world are recognising the need for ATMs to interact with customers' mobile phones, enabling them to perform cardless ATM transactions. The most recent example of this is in Nigeria, where First Bank has launched a cardless ATM transfer service, enabling people without bank accounts or cards to receive funds from the bank's ATMs across the country.

ATMs as a payments hub

Utilising ATMs to reach the underbanked has been taken one step further in India, where ATM manufacturer Vortex Engineering has rolled out an ATM which can run on solar power with an uninterrupted power supply and also incorporates biometric authentication. V. Vijay Babu, CEO of Vortex, says: "Conventional ATMs are designed for a developed-world scenario – they require air-conditioning and consume 1,500 to 2,000 watts of power. It is an unviable and expensive proposition to install them in rural or semi-urban areas where the transaction amounts are low and operational costs are high."

According to Babu, the overall cost of its ATMs, including installation and operation, is less than 35% to 50% than conventional ATMs, which typically cost around US$6,000.

Another emerging functionality of the new breed of ATMs is the inclusion of interactive video banking, enabling the bank to facilitate greater customer interaction while reaping cost savings. In the US, Diebold has launched concierge video services through its range of Opteva ATMs, giving customers the ability to initiate video calls to customer service representatives, in order to complete activities not traditionally conducted during ATM transactions, such as account maintenance, new account set-up and savings product renewals.

"APTRA Interactive Teller alone has been proven to enable banker's service hours to expand by up to 86%, while reducing the overall cost to serve by 40%."

Rival manufacturer NCR has also deployed interactive video technology through its range of APTRA Interactive Teller terminals and other manufacturers are following suit. According to NCR, this functionality allows a bank to add an extra 10 hours of branch service each week to a typical financial institution branch. APTRA Interactive Teller can conduct approximately 95% of typical teller transactions over the same timeframe at a fraction of the operational cost.

According to independent studies, adoption of this new technology is high. Early deployers of the technology have reported an average 90% satisfaction rate among users aged 25 years or older, while more than 80% of general banking customers aged 25 to 55 indicate they are willing to use video teller machines for general banking transactions.

Brian Bailey, vice president and general manager, NCR Branch Transformation, says: "Traditionally, a bank would rely on same-size branches throughout a town, augmented by a handful of multifunction and cash dispense ATMs. New technology, particularly remote-assisted service solutions such as the NCR APTRA Interactive Teller, allows banks to offer significantly expanded personal service hours to support their customers' time and location demands, much more cost effectively. APTRA Interactive Teller alone has been proven to enable bankers' service hours to expand by up to 86%, while reducing the overall cost to serve by 40%."

In the modern age, the ATM now represents a new customer-friendly touchpoint allowing banks to enhance their physical presence and deliver an even greater array of products and services at a significant benefit to their bottom line. ■

mPOS –a brave new world

The inaugural mPOS World event, staged in Frankfurt on June 24-25 by the Empiria Group, brought together 220 delegates from 40 countries and is the first major event dedicated to the fast-moving mPOS space, which is becoming increasingly crowded with new entrants looking to capitalise on the ubiquity of smartphones and tablet devices worldwide.

Around 55% of current mPOS providers launched their solutions in 2012 alone, according to Empiria Group's analysis, highlighting how quickly the market has evolved over the past three years when mPOS was first discussed as an emerging trend.

Opening the conference, Joel Van Arsdale, a partner with First Annapolis Consultancy, said: "Five years ago, mPOS didn't exist. At first there was much scepticism, but now the market is thriving. However, the market is still at a very early stage – no-one is making a profit yet. But this industry has great promise.

"There are many questions still to be answered, such as how products can be better designed and marketed. My perspective is that mPOS is similar to wireless POS, but it is a distinct product. Smartphone enablement has helped mPOS become more expansive than traditional POS devices. It is a multi-segment proposition, not just for micro-merchants. But there are many needs still unmet in acceptance, with a range of business models, solutions and suppliers."

mPOS market at nascent stage

According to Van Arsdale, although profits in mPOS are still evasive, partly due to revenue from micro-merchants being much lower than SME customers, real promise exists, thanks to increasing demand in many markets and the demonstrated success of the likes of Square and iZettle.

"The acquirer value chain has to be reconstructed, and the market requires specific positioning strategies," Van Arsdale added. "mPOS is one force driving channel convergence and is starting to look like the e-commerce experience. Rapid convergence is happening and that's why mPOS is so compelling."

Peter Turner, CEO of CreditCall, outlined the various elements that are positioning mPOS as such a payments change-maker. "Taking payments is just the tip of the iceberg. Already, over €1 billion of venture capital money has been sunk into the mPOS market. There is a real opportunity for change. But regulation of the market is a critical element. Players in mPOS must consult, confront, and comply. Regulation may be tiresome, but the credit card is a universal standard."

Turner also detailed issues surrounding the hardware and software components of mPOS, such as terminal management system control devices, updates, terminal boarding and multiple acquirer testing. In relation to security, Turner said: "P2P encryption is now the norm. Just one breach could put the market back two years in terms of adoption."

Other elements to consider include data mining. "Value lies not just in the transaction but in data mining. Customers need reporting platforms which are fully customisable. Integrating core aspects up-front is the best way to remove downstream support. mPOS is a high-volume, low-support, low-cost model."

Maya Barkay, marketing manager at Credorax, gave delegates an insight into how the mPOS market has evolved in such a short space of time. "By 2017, mPOS terminal adoption will be at 46%, with one in three retailers planning to adopt mPOS by end of 2013. It's almost mind-boggling at which the pace is developing. Over 1.2 million mPOS solutions were shipped to merchants in 2010/2011 alone, and around 75% went to merchants which did not previously accept credit cards."

mPOS an extension of existing channels

David Gudjonsson, CEO of Handpoint, explained that security is the key to unlocking mPOS for everyone. "The mPOS market is growing exponentially, and is at an important turning point with the proliferation of mobile. Some markets are skipping PCs in favour of mobile completely, which impacts on the browsing experience and data volumes. Mobile is doing to PC what PC did to mainframes.

"mPOS is a compelling proposition for retailers. Merchants who don't adapt risk being seen as antiquated. But mPOS needs apps to run on new platforms, which means that integration with back-end systems is needed.

"Merchants have PCI but they hate it. However, the PCI Council has listened and is coming up with new standards. P2P encryption means that merchants can go for self-assessment."

Security considerations

Martin Hawes, EMEA sales engineering manager at Thales e-Security, told delegates: "mPOS can be made secure by hardware. Key management, EMV certificate management and secure application updates are crucial

mpowa payleven sum up® iZettle SetPay Ready, Set, Pay! PayPal Here components, as is encrypting PINs at the point of interaction, which can be sent over wireless or Bluetooth. PCI P2P encryption significantly reduces merchants' compliance costs."

Nikolas von Taysen, CFO at Pay.On, gave a presentation on security best practices for mPOS, telling delegates: "There are two variants of mPOS – mobile at the POS and mobile as the POS. Overall, the technology infrastructure of large merchants is outdated and unsecure. Encrypting data is important to ensure data security, without changing existing infrastructure. However, secure transaction processing with new PCI P2P encryption comes with new challenges and costs for payment service providers. It may be an advantage for merchants but is a new burden for acquirers and payment service providers. In terms of mPOS best practice, use technical merchant gateways to stay independent from any point of interaction device, aggregator, or acquirer to operate cost efficiently. Central fraud management via a capable merchant gateway can help manage merchant risk independently from any channel and payment method."

Jean-Marc Thienpont, executive vice-president of mobile payment solutions at Ingenico, looked at the possible futures for mPOS. "There is strong latent demand for mPOS even in developed card markets. It is expected that there will be over 4 million mPOS-enabled merchants by 2014, and these growth assumptions are being sustained by smartphone penetration. Unprecedented convergence is happening between merchants and consumers and apps for both. The creation of a brand new ecosystem is putting merchants closer to consumers and enabling greater interaction, and this is changing the relationship between merchants and payment service providers. mPOS is at the crossroads of acceptance, mobile agnosticism and security. But the business model for small merchants still needs to be proven."

Magnus Nilsson, COO and co-founder of iZettle, gave delegates an outline of how the company was established and how it has evolved into one of the leading mPOS players in Europe. "The company was created three years ago as a result of my co-founder's wife, who needed a solution to sell reading glasses to customers. So we contacted Square in the US and found that they were not present in Europe. There are 20 million small businesses in Europe which comprise between 20% to 30% of GDP, and card acceptance is low in this group.

"For our distribution channels, we have partnerships with banks and telcos, and a direct sales approach with partners. In each market we operate in, we have partnered with banking and telco partners, as this simplifies regulatory issues. There are challenges in terms of branding, joint advertising and packaging, and volumes are not yet high enough to pay for a normal acquiring onboarding process. But we do have 3,000 new users per day. Right now mPOS is disruption, but over time it will be a natural part of payments acceptance."

Geraldine Wilson, managing director of micro-merchants at WorldPay, told delegates: "Micro-merchants are now a key strategic priority. We have a mandate to go out and build the right proposition for this segment. There are four million small business in UK, but less than a third accept card payments. Existing solutions are not right for small businesses. It's hard for them to get accepted, with long set-up times and high costs.

"Micro-merchants represent a wide variety of businesses. Cashflow is key for them, as many of them are often seasonal businesses. They need easier acceptance, low initial cash outlay, and low fixed commitments. We launched our mPOS pilot in June 2012, and we have over 3,000 customers, and feedback has been extremely positive with very high customer satisfaction. This year we started charging for key pads, and activity has gone up."

Jan Maurits de Jonge, head of point of sale at Adyen, outlined how mPOS has opened up the micro-merchant market, but is also changing the way larger retailers work. "We have onboarded twice as many merchants in the last six months than in the previous six years. mPOS is not a closed ecosystem. All merchants are multi-channel merchants if we make it easy enough. But it needs to be one experience for the shopper. For shoppers, channels don't exist. It's the no-channel experience. Key success factors are having a single payment partner, a single platform and an end-to-end solution." ■

mPOS World brief by Empiria Group – complexity may impact the mPOS adoption

Empiria Group released in May 2013 the "mPOS World Brief". Based on extensive research conducted by Empiria Group from January throughout April 2013, mPOS World Brief was created not only as the supportive material to the mPOS World conference, however also with the aim to guide the industry through the complexity of mPOS business models. In total, 210 different types of mPOS solutions and companies supplying the mPOS providers were categorised.

In addition to industry segmentation and structuring the mPOS ecosystem, the Brief concludes the complexity of the mPOS market as a result of numerous players from different angles entering and competing for their market share. And also how the traditional payment providers, as the Brief points out, currently miss out on this opportunity.

Only 33% of reviewed mPOS solutions are being offered by traditional acquirers, PSPs, ISOs, MPSs and processors. New start-ups and players from other "non-payment" verticals (MNOs, SW, POS systems, SW & HW providers etc.) used the mPOS opportunity to enter the mobile payments acceptance arena. With the entrance of new players, new disruptive models for merchant payment acceptance emerge.

mPOS World Brief is currently the most comprehensive guide of mPOS solution providers by:

- **introducing examples of innovative mPOS approaches and implementations of emerging and established mPOS service providers**
- **outlining potential implications on merchants service providers**
- **concluding with a few useful hints for payment providers on next steps in future mPOS strategies**

Alongside the mPOS World Brief, Empiria Group also launched an interactive "Global Map of mPOS Providers".

The current list of monitored mPOS providers and the mPOS Brief request form can be found at www.mpos-world.com

The market and policy environment for card, internet and mobile payments in Europe

Regulatory attention from the European Commission and national competition authorities is a major factor contributing to changes in the payments industry. Public authorities are convinced that the development of innovative new payment methods (such as mobile payments) and revived economic growth require immediate policy action. Convergence in the digital/mobile ecosystem adds extra urgency.

Following the Commission's 2012 Green Paper on card, internet and mobile payments and several months of public consultation, the Commission is now due to present a far-ranging legislative package during the summer. The DG Competition and the DG Internal Market and Service Units are working together on this package.

As a starting point, Deloitte Consulting will soon deliver a report, ordered by the European Commission, on the cost and usage of different payment methods in the retail sector. This is an important element for the Commission in assessing the respective costs of each payment method, considering the impacts on consumers and retailers, and evaluating the competition risk.

Regulatory outlook

A number of policy actions and instruments will be proposed for adoption to the European Parliament and the Council of the European Union before 2014.

The package will be based on a three-tiered approach:

some fully binding legislation, applicable immediately after adoption

further, less mandatory, recommendations which will take some months to be implemented

a final tier based on the continuation and possibly intensification of competition law enforcement at EU and member states levels, in particular against Visa Europe and MasterCard.

1. A first instrument will be a regulation on multilateral interchange fees to be adopted by the European Parliament and the Council. After publication in the EC Official Journal, this will become immediately applicable across all member states, without the need for any transposition into national law.
   It is not yet clear whether the regulation will be a specific one on this single issue, or whether the provisions will be included within a broader regulation covering all fees between banks (interbank fees). What seems certain is that the regulation will ban interchange fees (particularly cross-border) for debit cards, and cap fees applicable to credit cards at a lower level.
2. The Commission will also publish the outstanding review of the Payments Services Directive (PSD) of 2007. This will aim to increase and simplify use of the Directive, and in particular to ensure coordination with the E-Money Directive of 2009.
3. The Commission will publish in parallel a recommendation regarding the governance and strategy of the Single Euro Payments Area (SEPA) and the European Payments Council (EPC). This will aim at ensuring more transparency and efficiency and improving the involvement of the technology and mobile sectors (possibly in a structural way).
4. The Commission may call for work to start as soon as possible on a consolidated standard or set of standards for m-payments, on the model of the GSM standard. This would help to avoid market fragmentation and the risks induced by closed, proprietary standards developed by dominant players.
5. The Commission is leading and co-ordinating national competition authorities to enforce competition law at EU and national levels against a number of incumbents, in particular Visa Europe and MasterCard and possibly banks. The 2012 judgement of the European Court of Justice, rejecting MasterCard's appeal against the European Commission's 2007 decision, provides a solid precedent for the Commission to push forward on enforcement.
6. Lastly, the European Commission will use its powers under the merger regulation to proactively support what are seen as positive developments (eg on the model of Weve, the m-commerce/m-wallet joint venture between EE, Vodafone and Telefonica O2 in the UK) and to control or block consolidation operations in the payments industry that would have detrimental effects.

Final thoughts

The proposed creation of an economic regulator for the payments industry in the UK, as considered by Her Majesty's Treasury Department, could be a source of inspiration for the Commission. It may be that the Commission is pushing toward the creation of such regulators in all member states, or even at the EU level.

In addition, it is worth noting the obvious links between the digital and electronic communications ecosystem and the payments sector. New regulatory provisions for the mobile sector (eg on spectrum policy, tariffs, etc) will have an impact on m-payments. So the Commission will coordinate payments regulation with the completion of the Single Digital Market, as proposed by Neelie Kroes (the vice-president responsible for the digital agenda) and due to be presented during the summer. ■

Jean-Stéphane Gourévitch, Director, Mobile Convergence Ecosystems

Polish banks set the standard for mobile payments

Six banks in Poland have announced a cooperation to set the standard for mobile payment in the country. Alior Bank, Bank Millennium, Bank Zachodniego WBK, BRE Bank (mBank, multibank), ING Bank and PKO Polska Bank together comprise 70% of electronic bank services in the country.

The cooperation marks the first time that a group of banks have come together to work on mobile payments in the country, whereas ventures in Spain, Germany, the UK and Sweden have involved a number of mobile network operators or a mix of mobile network operators and a few banks.

PKO Bank Polski's mobile payment system IKO, already on the market, will be extended to enable integration for more partners and will be the basis for the local standard for mobile payment in the country.

The banks will use the same security, processes and methods and integration of partners like merchants and payment service providers to perform mobile payment transactions. The participating banks client applications will be developed separately and by cooperating banks. ■

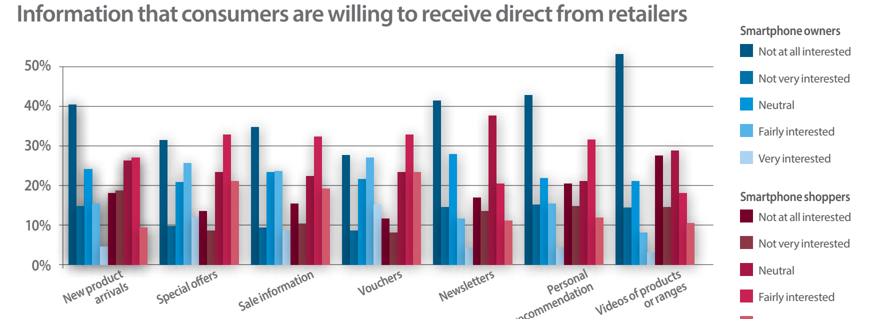
Smartphone purchases on the rise

The number of smartphone shoppers who make purchases on a weekly basis has doubled since 2012, according to research from eDigitalResearch and Portaltech Reply. According to the two companies, 32% of smartphone shoppers are using their mobiles to make a purchase on a weekly basis, double the figure from a year ago, while the number of smartphone owners that have used their mobile to browse, shop or find product information when shopping, has grown from 36% to 68% in the past 12 months.

The research also found that smartphone owners are increasingly using their mobile devices in-store to help aid purchase decisions when outside the home. Around 68% said that they have used their mobile to browse, shop or find product information when out shopping, a number which has grown from 36% in the past 12 months alone. Of those, 20% used their mobile just to make a purchase in-store.

Derek Eccleston, commercial director at eDigitalResearch, said: "It is extremely clear from this latest set of results that mobile devices are playing an even bigger part in consumer shopping journeys and are especially starting to have a bigger influence on purchases made whilst out shopping. Whilst some retailers are sceptical of in-store smartphone shoppers, worried that it will lead to too much price comparison and an increase in competitor sales, our research suggests that the majority of in-store smartphone users are actually using their devices to browse websites rather than making a purchase. Retailers should therefore be considering in-store initiatives, such as free internet access to their customers, to help enhance shoppers' overall experience with their brand and increase engagement levels." ■

Information that consumers are willing to receive direct from retailers



Source: eDigitalResearch and Portaltech Reply.

UK government urged to let consumers deposit their cheques using smartphones

Three-quarters (75%) of UK consumers want to deposit cheques by photographing them on their smartphones but are being denied by out of touch regulation, according to research by financial software services provider Intelligent Environments.

The company has launched a campaign urging the UK Treasury to change the law to allow smartphone cheque deposits. This will enable UK consumers and small businesses to save time and money cashing the 1.1 billion cheques used each year in the UK.

Smartphone cheque deposit technology, where users take a photo of the front and back of an endorsed cheque then send the images to their bank using a smartphone app, has been available in the US since 2009. This technology could be implemented in the UK but current laws prevent this from happening. This is resulting in unproductive time spent queuing in banks and wasted money posting cheques to the bank.

According to the research, consumers are already digital banking converts. Three-quarters of consumers (75%) prefer to use web browsers, tablets or smartphones to manage their finances.

In comparison, less than one in five UK consumers (19%) prefer to manage their finances while in a physical bank branch. This demonstrates the digital banking trend and compounds the argument for traditional banking activities – like cheque deposits – to be available digitally. ■

US financial institutions collaborate on mobile payments system

The Clearing House (TCH) of the US has announced that it is working with the US's leading financial institutions to develop an industry-wide dynamic credentialing solution to improve the safety and soundness of digital payments.

Established in 1853, TCH is the oldest banking association and payments company in the US. US member banks include Banco Santander, Bank of America, Bank of New York Mellon, BB&T, Capital One, Citibank, Comerica, Deutsche Bank, HSBC, JPMorgan Chase, KeyBank, PNC, RBS Citizens, TD Bank, UBS, U.S. Bank, Union Bank and Wells Fargo. TCH provides payment, clearing, and settlement services on behalf of those banks that power about half of the ACH, funds transfer, and cheque image payments made in the US.

As a first step, TCH is developing a pilot programme to demonstrate a solution that would foster an open standard solution that aims to enhance customer account information safeguards. The credentialing solution is being built to help protect customer account information by reducing storage of sensitive information, such as a customer's card number, across multiple retailers, virtual wallet providers and others. The initiative is designed to ensure that solutions in mobile and other digital payment channels scale in a consistently safe and sound manner.

The pilot will test customers' ability to use their mobile device to make a purchase within a mobile wallet and at the POS. The customer's actual account number will be replaced by the issuing bank with a randomly generated temporary number, or dynamic credential, for processing the transaction. This protects a customer's account information behind bank firewalls and lowers the potential for fraud in digital payments. ■

European consumers empowered by mobile banking

A survey from global bank ING has found that mobile banking is increasing in popularity with European consumers, but cash is still seen as giving ultimate control.

More than a third (37%) of almost 12,000 internet users surveyed in 12 European countries are already using mobile banking – and many credit the technology with providing more control over their money. While being able to bank on the go is very popular, cash is still favoured for ultimate control of budgeting and spending. Social media is booming and is mostly used to get better insight into money matters and is set to grow as many young people expect to be able to make payments via social media, according to the ING report entitled "Financial Empowerment in the Digital Age".

The Netherlands is the most developed mobile banking spot, according to a measure that takes internet penetration into account, while Turkey is the top mobile banking hotspot. More than three-quarters of UK consumers who use mobile banking say they feel more in control of their money. Half of Germans who do not use mobile banking say they are put off by security fears.

"People who use mobile banking feel more in control of their money," says ING senior economist Ian Bright, lead author of the ING report. "Most of them say they pay their bills on time more often and are overdrawn less often. This is perhaps because 84% of mobile bankers check their balances more regularly since using mobile banking."

Even as technology advances, traditional cash is still a popular way to monitor and keep control of spending. Half of European consumers surveyed agree they prefer to use cash when shopping because it is easier to see when they are spending too much. This rises to a high of 61% in Spain and is popular among under 25s as well, with 64% agreeing. ■

VocaLink launches mobile payment system in UK

VocaLink is to launch a new company to bring a new mobile payment system to market. The service, known as Zapp, gives consumers direct access to the money in their existing bank accounts through their mobile phone and real-time payments.

Research has shown that there are £50 billion abandoned check-outs in the UK and the payment landscape is becoming increasingly confusing. Zapp will allow people to make real-time payments from their mobile, unlocking the money in their current account.

VocaLink is collaborating closely with a significant group of stakeholders including financial institutions, merchants, merchant acquirers, billers and telcos, to set up, build and deliver a new framework for Zapp mobile payments.

Zapp will be launched to the financial institution and merchant communities by the end of 2013, with consumers able to use the service early next year. ■

Monitise and Telefónica Digital team up

Monitise has announced that its global Mobile Money business has become the preferred Mobile Money technology partner for Telefónica Digital to develop and manage new mobile payment and commerce services for its customers. This five-year partnership marks Monitise's second major deal for its Buy Anything mobile commerce initiative.

The initial focus of the partnership will be in the UK. Telefónica Digital is the global innovation arm of Telefónica, one of the world's largest telecommunications businesses with more than 316m subscribers in 24 countries. It operates using the O2, Movistar and Vivo commercial brands. ■

Starbucks UK goes contactless with Visa

Starbucks, Barclaycard Global Payment Acceptance and Visa Europe have announced that over 550 Starbucks stores in the UK are now accepting contactless payments.

Ian Cranna, vice-president of marketing for Starbucks UK, said: "With only around one in three of our customers now paying with cash, we recognise the importance and benefits of embracing new payment technologies at Starbucks. We are now able to provide our customers with the quickest and most convenient ways to pay, to speed up service and cut queue times. The roll-out of contactless follows other payment innovations that we have implemented across our stores, including developing a bespoke mobile payment app."

There are currently over 27 million Visa contactless cards issued in the UK and contactless payments are accepted at more than 250,000 terminals in the UK. ■

Contactless m-payments launched in Finland

UK payment solution specialist Savantor has announced its involvement in the successful launch of a new contactless payment method offered by Elisa, the Finnish mobile network operator.

The new service includes an application on the mobile phone for contactless payments, separate online payment cards, an online and mobile payment application as well as money transfers between users. The payment tools were developed in collaboration with MasterCard and utilise MasterCard PayPass technology. Contactless payments can be made in point of sale locations that use NFC card technology. ■

China UnionPay to launch NFC mobile-payment

China UnionPay has announced plans to introduce a mobile payment service using an NFC-enabled Android phone from HTC.

The phone, reported by Taiwan's Central News Agency as the HTC Stunning, will enable users to do contactless payments, along with mobile banking and bill payment.

The phone could hit the market by September, though that could not be confirmed. It was unclear which banks would participate and if any mobile operators would be part of the project.

"Mobile phone users no longer have to bring their bank cards in the future because their smartphones can provide the same function," Chai Hongfeng, executive vice-president of China UnionPay, reportedly said at a news conference in Shanghai.

He reportedly said that UnionPay plans to begin to deploy mobile payment and related services in about a dozen Chinese cities with local banks. It would use UnionPay's contactless payment application.

China UnionPay has been drafting specifications to put its payment application on microSD cards in NFC phones, and the

new HTC handset might support this, with an antenna built into the handset, not the microSD card. The NFC chip in the handset would be connected to the microSD card slot via some type of single-wire-protocol (SWP) type connection.

In a meeting held by UnionPay last April, and attended by representatives of HTC and mobile operators, among other mobile-commerce players in China, HTC discussed plans for an NFC phone supporting the single-wire protocol, or SWP, which could store applications on SIM cards. It's not clear if the new HTC NFC phone is the same one discussed earlier this year. ■

RBC launches cloud-based mobile payments in Canada

Royal Bank of Canada (RBC) announced its RBC Secure Cloud mobile payments service (patent-pending). This new technology, a first in Canada, will allow clients to more safely and securely pay for purchases using their mobile devices.

Keeping sensitive client data secure with RBC in the cloud, not on the phone, should make RBC Secure Cloud safer. RBC Secure Cloud will be in market by the end of the year with debit and payment on a number of smartphone platforms.

"We have designed a mobile payment solution that offers a better client experience and increased security than has been previously available, while meeting industry standards," comments Linda Mantia, executive vice-president of cards and payment solutions at RBC. "The result is a solution that offers benefits and options to everyone in the payment ecosystem."

With RBC Secure Cloud, the financial institution assumes the security burden, since sensitive client data remains with the bank, as opposed to keeping it on the phone, as is the case with other models. The data is transmitted encrypted and decoded locally on the client's mobile device at POS through partnerships with mobile service providers. While the solution protects client financial data by leaving it at its source, clients are also protected by the existing zero liability policy for Interac, Visa and MasterCard. ■

EE bringing 'cash on tap' NFC to UK

EE – currently the UK's only 4G carrier, unveiled that it will be bringing NFC payment capability to its pay-monthly customers with a service it's calling 'Cash on Tap'.

4GEE customers with either a Samsung Galaxy S4, Sony Xperia SP or Samsung Galaxy S3 LTE will soon be able to make contactless payments via NFC at one of over 230,000 outlets across the UK including Boots, Greggs and McDonald's, with the company stating that more handsets will be added to the compatibility list soon. The new service is the result of a partnership with MasterCard.

The service, which will work with the addition of the 'Cash on Tap' mobile app, will allow mobile payment with a tap on any compatible reader and accommodate transactions up to the value of £20. The app displays a transaction history; multiple cards can be tied to the service and can alternatively serve as an online payment system if desired.

EE is offering new users up to £10 of prepaid credit when they sign up for Cash on Tap; £5 for activating the app and an additional £5 for adding money from any UK credit or debit card. Users will then be able to make NFC-based payments, even if their device is switched off, so long as it has battery.

From a security aspect, it's also worth mentioning that a password or PIN can be set for both the account and for individual transactions to ensure that accidental payments aren't possible. ■

Contactless usage grows 46% in three months

Visa Europe has confirmed that contactless usage has reached a critical point of adoption across Europe. Monthly transaction numbers across Europe reached more than 19 million in March 2013. Over €1 billion has now been spent on contactless cards and smartphones equipped with a Visa payWave app.

2013 has seen contactless momentum in the UK grow significantly with 1.5 million Visa contactless transactions being made on London Buses since December, Marks & Spencers processing over 230,000 contactless transactions every week and the Post Office installing contactless payment terminals in all of its 11,500 branches.

One in four Visa cards in the UK are now contactless. The UK made 5.3 million contactless transactions in the month of March, with more than £39 million worth of contactless transactions made.

Anne Van Schrader, head of contactless and mobile NFC at Visa Europe, said: "Markets like the UK, Poland and Spain are leading the way in contactless usage and we've been instrumental in delivering great success stories like the roll-out of Visa contactless acceptance on Transport for London's bus network. ■

Italian transport companies move to NFC

Italian public transport companies TPER Transport Passenger Emilia-Romagna, ANM Napoli, START Romagna, telco Telecom Italy and payment services provider SIA Group have signed an agreement to develop and test a mobile ticketing platform enabling all citizens owning a latest generation smartphone to purchase and validate tickets directly through their mobile phones.

The project has been designed in accordance with instructions provided by the Ministry of Transport contained in the Digital Agenda, foreseeing the dissemination of electronic ticketing systems interoperable at national level.

The system is based on NFC and includes SIMs enabling the hosting of third-party applications.

NFC technology is becoming more and more a standard in contactless transactions and estimates indicate that by 2015 more than 50% of sold smartphones will be equipped with the technology.

The SIA group infrastructure will allow users to buy, reload and use travel tickets directly through smartphones: this new modality is accompanied by the current ticket recharging system service available through ATMs and through home-banking provided by different lending institutions. ■

MCX taps FIS to power mobile commerce network

Merchant Customer Exchange (MCX) says it has selected FIS to provide a suite of services that will help bring its much-anticipated mobile commerce solution to the marketplace.

FIS will provide MCX with payment processing, routing and settlement for mobile commerce transactions.

MCX also announced that Kohl's Department Stores and Alimentation Couche-Tard US convenience stores branded Circle K are the latest leading merchants to join its ranks. These two new additions follow May's announcements that included Phillips 66, Southwest Airlines and Brinker International among others joining MCX.

Kohl's and Couche-Tard rank 20th and 76th, respectively, on the National Retail Federation's list of the top 100 merchants by revenue, meaning MCX now counts eight of the top 20, and over 20% of the top 100 merchants as members. This also includes Phillip 66, who ranks fourth on the 2013 Fortune 500 listing. Collectively, MCX's 30-plus merchants operate nearly 90,000 stores and process over $1 trillion in payments annually. ■

Handpoint releases open source code for mPOS

Handpoint has released the source code for its mPOS payment apps on an open basis, enabling any business or developer to create secure bespoke payment apps.

By releasing the app code as open source, Handpoint is opening up mPOS to a broader range of businesses. According to the company, until now, mPOS take-up has been restricted by a one-size-fits-all approach for micro-merchants, meaning apps fail to address specific industry sector or localisation requirements. Handpoint's open source code means its mPOS app can be customised to meet the needs of any business in any industry.

Handpoint is able to open source its apps following the recent PCI P2PE accreditation of its mPOS chip and PIN application. The P2PE level security ensures that card data sits only on the secure Handpoint card reader and never within the app on the smartphone or tablet.

David Gudjonsson, CEO and co-founder of Handpoint, commented: "Handpoint is dedicated to making it as simple as possible for everyone to use mPOS. By removing security as an issue and open sourcing our app code, we're giving businesses and developers unprecedented freedom and flexibility to build the apps they need and to significantly reduce the time and cost it takes to roll out mPOS." ■

WorldPay launches mPOS solution

WorldPay has launched an mPOS chip and PIN payment solution aimed at small businesses. The service, WorldPay Zinc, enables businesses to download an app onto a smartphone or tablet and use a chip and PIN keypad to accept payments on a pay-as-you-go basis with no long-term contract commitments or monthly subscription fees. A fee of 2.75% is applied to card transactions.

Small businesses can also reap the benefits of additional features such as refunds, payment over the phone, text, email or print receipts and real-time access to full payment history (by day, week, month) on their smartphone, wherever they are in the UK.

Geraldine Wilson, managing director at WorldPay Zinc, said: "We are really excited to launch this great new service which will make life easier for the UK's mobile tradespeople, small businesses and the UK consumer. We have been testing out the service for six months with over 3,000 small businesses, and the feedback has been very positive. These businesses are reporting increased revenues with significantly higher average transaction values for each sale." ■

Synqera partners with Russian retailer for mPOS

Synqera is teaming up with Russian retail chain Ulybka Radugi in order to deploy Synqera's hardware-software solution within Ulybka's 280 locations throughout Russia.

The mPOS devices, backed up with the Synqera software platform, will be installed at the check-out points of the Ulybka Radugi piloting stores, delivering to customers personalised targeted content on the one hand, and gathering customer insights on the other.

According to Synqera, it will be the first-ever intelligent retail technology to leverage a combination of Big Data and real-time customer response to viewed content through a device's sensors. ■

BPC launches mPOS solution

BPC Banking Technologies has launched SmartMPOS, a new software solution specifically designed to support merchants' growing use of mPOS devices.

SmartMPOS provides transaction switching, real-time authorisation and interfacing to external systems such as mail and SMS servers. To activate a new mPOS terminal, users download the SmartMPOS application from the Apple App Store or GooglePlay.

Once installed on the mobile device, all settings are configured automatically and the mPOS terminal is ready to be used for payments. In addition to supporting all types of cards, SmartMPOS also provides a merchant portal for online control of payments and reporting. ■

Consolis launches integrated EPOS system

Consolis has launched an integrated EPOS payment system, X-10, which incorporates touch screen technology and integrated payments. According to the company, the X-10 is the first device to bridge the gap between cash register units and the sophisticated EPOS technology used by major multiple retailers, but at a fraction of the cost.

Based on the ARM processor used by new generation mobile devices, the X-10 was specially developed by Consolis Payments to work in tandem with its credit and debit card machines. The X-10 features a new POS software platform created by specialist EPOS software company, CES TS Software. The X-10 includes intuitive touch screen navigation, barcode scanning, extensive reporting capability, one-time transaction entry and faster end-of-day reconciliation. ■

FIME Korea to provide NFC payment testing for mobile

FIME Korea, a mobile device consulting and testing specialist, has achieved test bench qualification for EMVCo Contactless Card Level 1 in Korea, authorising the company to offer contactless card level 1 testing services.

This status allows FIME Korea's NFC Mobile Test Centre to verify that locally developed and manufactured NFC-enabled handsets meet the requirements of the mobile payments industry before market launch.

FIME Korea opened in 2012 to serve the testing and certification needs of the South Korean mobile device marketplace. This qualification allows FIME Korea to offer certification testing on behalf of payment networks for mobile handsets to the EMVCo Contactless Communication Protocol specification defined by EMVCo.

FIME Korea is also equipped to provide Isis certification services which include American Express, MasterCard and Discover interoperability testing. ■

Prepaid Financial Services launches mobile app

Prepaid Financial Services (PFS), a global provider of prepaid solutions and a MasterCard prepaid partner, has announced the launch of its new "Pocket to Pocket" mobile app for the Apple iOS platform. The app is designed to provide consumers with all the benefits of prepaid cards, wrapped into a mobile digital wallet with virtual card creation and peer to peer (P2P) payment functionality, all of which can be controlled using a smartphone.

The Pocket to Pocket app is available free of charge to all PFS cardholders and comes with a built-in Payzone and ATM finder, which allows users to find the nearest UK location to top up or withdraw funds from their prepaid wallet, respectively.

Cardholders can use the app to perform a number of different functions to manage their physical card and create virtual cards, including balance checks, transaction history reviews, card loads and funds transfers. The next update of the app will include the ability to instantly create virtual prepaid cards for secure online shopping and also allow cardholders to share funds directly with friends and family, who also have the app installed on their phone. ■

MPayMe partners with Unirisx on mobile business platform

MPayMe has formed a strategic global partnership with Unirisx, a provider of SaaS/cloud-based policy administration management solutions, in order to build MPayMe's ZNAP mobile business platform into Unirisx's insurance service.

ZNAP works by allowing consumers to pay by scanning a QR code with their smartphone, selecting a pre-stored credit/debit card, and entering a four-digit PIN to complete the transaction in seconds. Both buyer and seller receive immediate confirmation once the payment has been completed.

ZNAP is rolling out pilots across various regions beginning from July 2013, including the UK, US, Indonesia, Thailand, Australia, Hong Kong and Japan and will be widely available across the world by the beginning of 2014.

According to MPayMe, ZNAP provides merchants with a set of applications that provides deeper customer insight, lowers the cost of marketing and increases relevance to support new merchant revenue. ■

Ixaris launches Payments Server

Ixaris has launched Ixaris Payments Server, a cloud-based platform that enables banks to quickly and cost-effectively develop their own corporate prepaid programmes.

Ixaris Payments Server is an out-of-the box package that allows banks to bring a profitable corporate prepaid programme to market quickly. Key features include ready-built apps, configurability, and quicker time-to-market for banks.

According to Ixaris, corporate prepaid presents an enormous revenue opportunity for banks. Visa estimates that €167 billion will be spent over corporate prepaid in Europe alone with an annual growth rate of 27%, while MasterCard expects the global growth of prepaid at 22% CAGR with the corporate segment to account for $385 billion of spend by 2017. ■

Ogone unveils online payment fraud protection tool

Online payment solution provider Ogone has launched Ogone Fraud Expert, an online payment protection tool which features the latest protection technology including device fingerprinting, over 20,000 control rules, a database of pooled industry and merchant knowledge, as well as the option of outsourcing dubious transactions checks to Ogone's team of expert fraud consultants.

Giving merchants the flexibility to set their own rules, according to their unique circumstances, Ogone is providing them with the ability to relax the automatic transaction blocking criteria, while, at the same time, benefiting from an expert safety net of a second level of protection for any transaction identified as dubious. ■

Banco Santander makes strategic investment in iZettle

European mPOS payment player iZettle and Spain's Banco Santander have announced that Banco Santander is making a strategic investment of more than €5 million in iZettle.

"Millions of small business owners and professionals in the markets where we operate need an alternative to conventional credit card terminals, and simple software to manage and analyse their transactions," said Ramón Tellaeche, head of Santander Cards at Banco Santander. "We are strongly committed to innovation that satisfies emerging needs of our customers, we believe iZettle's innovative mobile technologies will be crucial to those merchants' near and long term success." ■

Earthport to receive investment from IFC

Earthport, the cross-border payments service provider, is to receive a $10 million investment from the IFC, a member of the World Bank Group. The funding will be used to expand Earthport's presence and payments service infrastructure, particularly in developing countries. Through this investment, Earthport also becomes part of IFC's extensive network which includes over 900 financial institutions, providing Earthport with access to potential partners and clients in key geographies.

According to Earthport, its cross-border payments service facilitates a more transparent, lower-cost payments infrastructure, suitable both for remittance and low-value trade payments. Through integration with Earthport's services, banking and money transfer organisations are able to offer an increased range of international payments products to their customers.

"Earthport's technology cuts the costs and delays of international money transfers, facilitating trade for SMEs and remittances for migrant workers – key priorities for IFC in helping people in developing countries improve their lives," said Vincent Gouarne, IFC director for infrastructure. "We look forward to partnering with Earthport in this next stage of growth to further spread their reach in emerging markets." ■

Samport rolls out Ingenico payment solutions in Nordics

Ingenico has partnered with Samport, a payment service provider in the Nordic region, with Samport certifying Ingenico's full range of NFC-enabled mobile and countertop payment devices and rolling them out to its customers in the region.

Ingenico will supply Samport with its Telium II secure software platform, while Ingenico will support Samport with hardware maintenance and services.

The products and solutions will be targeted towards Samport's customers, mainly operating within the hotel and restaurant, transport and retail markets. ■

DataCash and MoPowered

DataCash has formed a partnership with mobile commerce specialists MoPowered. The collaboration with MoPowered will enable DataCash's merchants to use MoPowered's secure SaaS platform technology.

MoPowered enables merchants to offer optimised mobile websites and create another point of sale for existing and new customers. ■

Intuit agrees $1 billion sale

Intuit has agreed to sell its financial services division to private equity firm Thoma Bravo for around $1.025 billion in cash. The agreement will see Thoma Bravo create a stand-alone company focused on providing a digital banking platform to financial institutions. ■

MobeyDay: monetising the mobile

The MobeyDay event, held in Barcelona on 11 June at the CaixaForum, brought together mobile banking and payment professionals from across Europe for a day of networking and debate.

The event, hosted by CaixaBank and organised by the Mobey Forum and Finextra Research, consisted of seminars and presentations which brought together speakers drawn from the analyst, standards, technology and consulting communities.

The main theme to emerge from the event was that banks and financial institutions should quit viewing mobile as just another customer channel and wake up to its potential to generate significant new revenues.

Sirpa Nordlund, executive director of Mobey Forum, said:

"Many financial institutions still do not appreciate the revenue generating power offered by the mobile channel. As the mobile financial services ecosystem evolves and consumers demand more sophisticated and valuable financial services for their smart phones and devices, banks that fail to keep up are likely to fall behind the powerful and innovative new players that are entering this space."

Among the topics under discussion were apps, APIs and authentication in relation to mobile wallet services, the factors driving mobile wallets forward, how mPOS is changing the retail experience for consumers and merchants alike, the importance of value-added services, and how to enhance the mobile banking experience through the use of social media.

Besides a wide range of keynote and open panel sessions, a delegate networking area showcased mobile banking services and products from leading banks, network operators, technology vendors and consultancies from around the world.

Also at the event, MobeyForum launched two new whitepapers, the first providing a comprehensive collection of industry definitions from across the mobile, financial, payments and related technology sectors, and the second presenting an overview of the current security trends relative to the mobile payments market. ■

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Conference diary

Sibos 2013
16-19 September, Dubai
www.sibos.com

NFC World Congress
24-26 September, Nice
www.nfcworldcongress.com

2nd Annual e-MARKETING Forum
25-25 September, Amsterdam
http://finance.flemingeurope.com

EFMA The Future of Cash
25-26 September, Madrid
www.efma.com/cash

EFMA Retail Payments Week
25-27 September, Paris
www.efma.com/payments

e-Commerce Expo
2-3 October, London
www.ecommerceexpo.co.uk

Money 2020
6-9 October, Las Vegas
www.money2020.com

Total Payments Asia
8-10 October, Bangkok
www.terrapinn.com

11th CEE Retail Banking Forum 2013
9-11 October, Budapest,
http://finance.flemingeurope.com

Digital & Mobile Wallet
10-11 October, London
www.dmwsummit.com

GSMA NFC & Mobile Money Summit
14-17 October, New York
www.nfcmobilemoneysummit.com

SmartCards Expo 2013
16-18 October, New Delhi
www.electronicstoday.org

Gitex
20-24 October, Dubai
www.gitex.com

Apps World Europe
22-23 October, London
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The Future of Nordic Banking
5-6 November, Copenhagen
http://marketforce.eu.com/events/

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