



Card Academy

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Latest news from Card Academy

The Card Academy Bulletin

It is a great pleasure to introduce you to the second issue of “Card Academy Bulletin”, our newsletter which was extremely well received by all our readers when launched a couple of weeks ago. Thank you very much for all your positive feedback, and also a very warm welcome to numerous new subscribers.

This is a confidential, high-level industry news and business intelligence update bulletin. For further information on any of the items contained within the bulletin or to discuss the potential impact of these items on your business, please contact Card Academy on our dedicated support centre e-mail address globalinfo@card-academy.com .

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The Nordic and Baltic States news

Oberthurs bid for Swedish smartcard outfit XPonCard

French smartcard vendor Oberthur Technologies has made a SKr704 million (EUR76 million) cash bid for Swedish rival XPonCard.

In a statement Oberthur says the SKr157 per share offer represents a premium of 34% on XPonCard's closing price on OMX Nordic Exchange Stockholm yesterday.

Oberthur says XPonCard's board of directors has "unanimously recommended the offer to shareholders". In addition the French vendor has received "irrevocable undertakings" to accept the offer from shareholders representing about 50.7% of XponCard stock. The acceptance period is expected to run from 12 March to 4 April, says Oberthur.

Oberthur says its merger with XPonCard would create the world's second largest smart card vendor behind Gemalto, with sales of approximately EUR735 million.

Gemalto was formed by the merger of French smart card vendors Axalto and Gemplus in 2006.

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The acquisition is conditional upon Oberthur owning more than 80% of XPonCard's shares, no other bid emerging and it receiving external financing for the deal. (Source: *Finextra*, February 19, 2008)

Norwegians love Web Banking

Nearly the entire adult population of Norway - about four million people - now uses Internet banking services, according to bank processing firm EDB Business Partners.

EDB says its statistics are based on traffic in its systems and the assumption that the remainder of the Norwegian market has experienced the same trends.

According to its data, EDB says there has been a 10% rise in the number of Web bankers in the country over the past 12 months and the figure has grown three-fold in the last four years.

The total use of Internet banking services - including payments, account balance checking, account history enquiries, transfers between accounts and other services - grew by around 20% in 2007. Between 2003 and 2007 the number of transactions carried out online has increased by 144%, says EDB.

The vendor estimates that Internet bank users in Norway pay an average of nearly 60 bills a year online.

The number of card payments made in Norway also continues to rise, with the number of transactions passing through the company's systems up by 15% on the previous year. The vendor also reports a 113% rise in the number of people registering for secure card payments via its system, to 1.5 million in 2007.

Minibank(ATM) use rose by four per cent in 2007, following falls in 2005 and 2006. EDB says this reflects greater use of new services like depositing cash and buying mobile phone credit. The vendor estimates that Norwegians used minibanks about 98 million times in 2007 with more than Nkr100 billion of cash dispensed.

Europe & World Wide news

Cheque volumes continue to fall - APACS

Cheque volumes declined at a record rate in 2007 as customers reached instead for plastic debit cards to make payments, according to stats released by UK payments association Apacs.

Around 1.6 billion cheque-based payments were made in 2007, a decline of 9.3% from 2006, whilst total value of cheque payments fell 1.3%.

This is thought to be the fastest rate of decline recorded since cheque use began falling in 1991.

Over the past year more retailers in the UK have stopped accepting cheques for payments.

Supermarkets Sainsbury's, Morrisons, Asda and Tesco along with retailers Boots and Marks and Spencer, are either phasing out or have already stopped taking cheques. Shell has also stopped accepting cheques at its petrol stations across the country.

Last year the UK's Payments Council, an independent body looking at the establishment of a national payments plan, said it was considering phasing out paper-based cheques in favour of a UK-wide shift to automated and card-based payments.

The proposals to eliminate cheques are part of a public consultation, launched by the Council, that will ultimately lead to the creation and adoption of a national payments plan.

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In contrast to the cheque numbers, debit card usage continues to rise, with nearly five billion transactions in 2007 - up over nine per cent on 2006. Nearly £223 billion was spent on debit cards in 2007, a rise of almost 14% on the previous year. (Source: *Finextra*, February 15, 2008)

Verifone reports Bank of China contract

State-owned Bank of China has contracted with US eftpos vendor Verifone for the supply of nearly 16,000 wireless and countertop payment terminals.

Under the agreement VeriFone will provide Bank of China with its PCI-PED approved wireless NURIT 8000 and Vx610 terminals.

The vendor says the terminals are ideal for outdoor markets, delivery services and for adding extra lanes during peak business hours.

Verifone will also supply its countertop NURIT 2930, which incorporates a dial up modem and sprocket printer.

The vendor says Bank of China, which is already a customer, will take delivery of the terminals this year.

"We have worked closely with the bank in providing card payment capabilities to merchants and look forward to continued success in expanding the market for card-based purchases in China," says William Nichols, general manager, Asia, VeriFone.

The deal is the latest contract win in China for VeriFone, which has previously inked deals with China Union Pay and China Postal Savings Bank.

Number of cards in Russia increasing

Russia has experienced an increase of some 40% in terms of cards issued. The majorities of cards are still issued in central and suburbs of Moscow, counting for close to 50% of all cards issued.

Even though cards are increasing, usage is still mainly through ATM's. Cardholders seem to view cash more safe compared to plastic.

A lot of cards are issued as Salary Cards, but cardholders quit often withdraw the full balance as soon as salary has been paid out. (Source: *Nextar Solutions*, February 23, 2008)

NY commuters to trial contactless payments on buses and trains

MasterCard is working with transport operators in New York on a contactless payments trial that will enable customers to use devices such as cards, key fobs and mobile phones to pay fares on buses and trains.

MasterCard is teaming with The Port Authority of New York and New Jersey and NJ Transit for the eight month trial, which is set to kick off in early 2009.

Customers will be able to pay fares on buses and trains between New York City and New Jersey by tapping their contactless device at turnstiles and on fare boxes.

The trial will cover 13 Port Authority train stations and two connecting NJ Transit bus routes.

However the contactless service will only be available to MasterCard PayPass customers for the first two months but will extended to other bank-issued contactless card users for the rest of the trial.

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The new pilot will also be compatible with a trial of contactless payments technology at ticket barriers on the New York subway which is being conducted by Metropolitan Transit Agency (MTA), MasterCard and Citi. The MTA pilot has been running on the Lexington Avenue subway line since July 2006. The test programme - which currently includes readers in 80 fare gates at 30 stations - is set to be expanded later this year.

Contactless transit payments systems have already proved successful in Taiwan, Hong Kong and the UK.

In Hong Kong over 16 million contactless Octopus cards - which combine transit payments with debit functionality - are in circulation. The card is supplied by Octopus holdings which is owned by the major transport operators in Hong Kong.

Meanwhile Transport for London (TfL) said last year that it has issued more than 10 million Oyster smart cards since the e-ticketing system was launched in 2003. TfL is also working with handset manufacturer Nokia and phone network O2 to develop a scheme that will enable customers to pay for tube journeys using mobile handsets.

Also in London, Barclaycard launched its combined contactless Oyster travel and debit card - OnePulse - in October last year. The card has a standard chip and PIN payment system, Oyster card functionality and Visa's 'wave and pay' contactless payment technology, which can be used for transactions of £10 or less and billed on the credit card account.

House of Cards – Consumers turn to Credit Card Amid the Mortgage crisis

The Center for American Progress has published a new report titled "House of Cards" by Tim Westrich and Christian E. Weller. From the abstract: "As borrowing in the mortgage market slows, credit card borrowing is accelerating—a dangerous trend because borrowers still face weak income growth. That means the credit card market could eventually run into the same problems that now afflict the subprime mortgage market."

A possible unravelling of the U.S. credit card market, with all the attendant costs to global financial markets, could be partially nipped in the bud with improved transparency for credit cards. Policymakers should take two approaches.

First, implement a credit card safety rating system that can give consumers better information about their credit cards and thus help them make better decisions. This system would be similar to the five-star crash test rating system for new cars. Credit cards would be awarded stars based on a points system, with cards earning points for consumer-friendly terms and losing them for terms designed to get consumers into trouble.

Such a system has already been introduced in the Senate by Sen. Ron Wyden (D-OR) as the Credit Card Safety Star Act. The safety rating system would not preclude additional regulation or legislation that will eliminate other features that may be considered abusive or unfair.

Second, in addition to a credit card safety rating system Congress should go further to mandate a higher level of fairness in credit card terms. Several members of Congress have introduced bills that would do that. Rep. Carolyn Maloney (D-NY), with the backing of House Financial Services Committee Chair Rep. Barney Frank (D-MA), recently introduced the Credit Cardholders' Bill of Rights Act. This bill takes a balanced approach to banning several of the most abusive credit card practices. (*Source: Payment News, February 23, 2008*)

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Scheme news

Visa Europe – Five year agreement with AEG Europe

Visa Europe has signed an exclusive five year agreement with AEG Europe, owners of The O2, to become one of the venue's founding partners as the 'Official Payment Partner'.

The agreement takes effect immediately. Comments Colin Grannell Executive Vice President, Partnership Marketing at Visa Europe:

"We are delighted to have reached this agreement with AEG Europe to become a partner of The O2. Recently crowned the world's most popular venue and named best international arena, it has an excellent track record in attracting visitors, in their millions, from across Europe. It will bring benefits both to Visa and our cardholders, by creating strong exposure for our payment brand and providing a platform for us to create greater awareness of our latest payment innovations such as Visa payWave."

"Visa has an excellent track record of building global partnerships, such as the Olympic and Paralympic Games, the FIFA World Cup and the Disney Partnership. The O2 has raised the bar in terms of customer experience and we are delighted to be part of the show."

Lesley Saville, Chief Marketing Officer for AEG Europe, added: "Having Visa Europe on board is another strong example of how The O2 has attracted some of the world's most powerful brands. The ground breaking content The O2 has seen in its opening year provides our partners with a real chance to create unique brand experiences for a range of very different audiences." (Source: *Visa Europe, February 12, 2008*)

Visa Europe – awards from the 2008 Card Awards

Visa Europe card products have won awards in six categories in the 2008 Card Awards run by The Card Partnership Ltd. The annual awards scheme is designed to recognise excellence and best practice in the card payments industry and reward the work of those companies who improve the quality of the customer experience.

The Visa winners were:

- Best Credit Card Design of the Year: Thomas Cook Credit Card
- Best Charity Credit Card Programme: Bank of America/World Wildlife Fund Credit Card
- Best Prepaid Card Programme: Lloyds TSB Silver Account and Money Transfer Card
- Best Business Card Programme: HSBC Fastest Growing Business Credit Card in the UK
- Best Industry Innovation of the Year: Barclaycard OnePulse and One Touch Card
- Most Responsible Credit Card Lending Practices: Nationwide Building Society's 'Mutual Benefits from Innovative Responsible Lending' scheme

Comments Jose San Juan, UK MD Visa Europe: "We are delighted to have been involved alongside our members with so many award winning products this year across the full spectrum of the card payment industry. Not only have we been recognised for our role in driving innovation with our contactless technology, we are also leading the way in prepaid developments, business cards and the credit market."

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The 2008 Cards Awards were judged by a prestigious independent panel of industry experts. The judges were particularly impressed by the tangible benefits each of the winning schemes had to offer consumers, the business case behind each scheme and the originality and effectiveness of the associated marketing activity. (Source: *Visa Europe, February 13, 2008*)

Visa International – news about the IPO

Bank-owned card scheme Visa says it could make up to \$18.8 billion in its forthcoming flotation on the New York Stock Exchange, making it the largest IPO ever.

Details of the share sale were revealed in an SEC filing. Visa says it expects to raise up to \$17.1 billion from the sale of 406 million Class A shares valued between \$37 and \$42 each. If demand is high, Visa says it may release a second tranche of 40.6 million shares, boosting the potential proceeds to \$18.8 billion.

The headline figure easily outstrips the previous record \$10.6 billion raised by AT&T Wireless at the height of the dotcom-fuelled stock market boom in 2000.

Visa is selling into a weaker market, but it has been encouraged by the success of rival MasterCard, whose shares have quintupled in value since going public in May last year.

Visa says it will set aside some \$3 billion of the proceeds to cover potential litigation and anti-trust costs. (Source: *Finextra, February 25, 2008*)

MasterCard International – “The Small Business Study”

MasterCard Advisors, the professional services arm of MasterCard Worldwide, today introduced The Small Business Study, an in-depth report of cardholders' spending, attitudes, and preferences across the leading small business card issuers.

Based on responses from some 5,000 U.S. small business owners, the new research supplies unique, data-driven insights into what issuers can do to encourage cardholders who own small businesses to employ business credit cards, as well as how to ensure customer satisfaction.

“Issuers need to take a different approach to selling small business cards into the market,” says Jonathan Cetnarski, Global Group Practice Leader, for MasterCard Advisors. “Many banks still rely upon direct mail, for example, but our Small Business Study reveals why this may not be the best way to reach this relatively untapped market.”

The Small Business Study provides an informative view into how many small business owners still use personal (consumer) credit cards—rather than a dedicated business card—to cover their company expenses. The second of six reports in Advisors' Comparative Cardholder Dynamics series, it also provides valuable insights into how small business owners respond to the card products and services targeted to them, as well as their attitudes and card usage patterns. MasterCard Advisors can help issuers leverage these insights with turn-key solutions to develop new card products or to maximize the performance of existing small business products.

“Small businesses are a growth engine for the US economy and the key to successfully serving their payment needs is an in-depth understanding of the unique challenges and characteristics they face,” said Bruno Perreault, Group Head, Small and Mid-Sized Enterprises, MasterCard Worldwide. The Small Business Study provides a comprehensive look at the pain points facing small businesses today,

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enabling issuers to more effectively serve their small business customers." Among the questions The Small Business Study answers are:

- How well are issuers meeting the needs of small business owners?
- Which small business card issuers are doing the best job?
- Which benefits and features influence a customer's choice of a small business card?
- How important are rewards and online financial reporting to small business owners?
- How do various product and service offerings affect cardholder satisfaction?
- Which issuers are most successful at boosting average cardholder spend?

(Source: MasterCard, February 19, 2008)

American Express – “Are you a Cardmember” campaign

American Express announced that acclaimed fashion designer Diane Von Furstenberg will join the company's "Are you a Cardmember?" communications campaign which features extraordinary Cardmembers telling their stories, while illustrating what it means to be an American Express® Cardmember. The television spot will debut during the 2008 Academy Award broadcast on February 24th on ABC.

The artistic spot opens with a collection of personal scenes around Von Furstenberg's home and in her studio as she reveals how through fashion, she became the woman she wanted to be. As beautiful images capture the inspirations in her life, she expresses that her role in fashion is to make women feel more confident. The spot was directed by Bennett Miller, praised for his direction of the film "Capote" in 2005, and reflects the essence of creative collaboration in storytelling. Von Furstenberg's national campaign will include a print advertisement shot by legendary photographer Annie Leibovitz.

"Women inspire me and I inspire them to be independent and free which is how I feel when I use my American Express Card," said Von Furstenberg. "American Express represents a sign of independence and freedom and if you have your card, you can do anything."

Earlier this month, American Express brought unparalleled fashion access and experiences to Card members and fashion fans around the world through a variety of events and initiatives rolled out at Mercedes-Benz Fashion Week. Through the launch of the "American Express Fashion Network," at www.americanexpress.com/style, people had access to live, exclusive, never-before-seen views of Mercedes-Benz Fashion Week which enabled them to see the industry-only event unfold before their eyes with multi-dimensional views from the runways and throughout the tents, as well as interviews and insights from designers and other industry insiders before and after the shows. Videos of the shows, interviews and backstage excitement are currently accessible on the site for all to enjoy.

Additionally, American Express gave access to Gold Card members, Platinum Card® members and Centurion® Card members to view the shows on-site at Mercedes-Benz Fashion Week from the American Express Skybox.

In support of fashion designers and the future of the industry, American Express has become a supporter of the Council of Fashion Designers of America (CFDA) with a donation of \$500,000 to the CFDA/Vogue Fashion Fund (CVFF). The CVFF was established to help emerging American design talent find continued success in the business of fashion. (Source: American Express, February 19, 2008)

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