



## Items in this issue:

<b>Latest news from Card Academy.....</b>	<b>1</b>	Chase Paymentech Formally Opens European HQ in Dublin, Ireland .....	<b>3</b>
Card Academy to be launched in the Nordics and Baltic Rim during April 2008.....	1	Recommendations for Credit Card Issuers to Mitigate Credit Risk .....	4
The Card Academy Bulletin .....	1	MasterCard Worldwide Named Best Corporate Card and Expense Services Provider by Global Finance Magazine .....	4
<b>The Nordic and Baltic States news.....</b>	<b>1</b>	Barclaycard Business launches pre-paid card service for retailers.....	5
Sampo Bank on Danske Bank Group's platform .....	1	Is Target Corp.'s Credit Too Generous? .....	5
FinansTilsynet (FSA) is chasing ArtMoney .....	2	<b>Scheme news.....</b>	<b>6</b>
<b>Europe &amp; World Wide news.....</b>	<b>3</b>	Visa International.....	6
EC launches probe into Visa Europe interchange fees ...	3	MasterCard International.....	7
NETELLER Group and Centricom Establish Joint Venture to Distribute POLi Online Bank Payment Platform in Europe .....	3		

## Latest news from Card Academy

### Card Academy to be launched in the Nordics and Baltic Rim during April 2008

Following the recent launch in Denmark, it is with great pleasure that we announce the scheduled official launch of Card Academy in the Nordics and Baltic Rim, our educational platform on issues related to domestic and international payment cards.

The ambition is to “bridge the gap” between International Card Schemes and the needs of employees in local branch offices. Through Card Academy we aim to bring a number of key partners together. This in order to bring a more cost-effective educational offer to employees within this sector, and to extend the reach and effectiveness of resources spent on education in general.

Please feel free to contact us on [globalinfo@card-academy.com](mailto:globalinfo@card-academy.com) for further information on our Academy Modules.

### The Card Academy Bulletin

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](mailto:globalinfo@card-academy.com).

To unsubscribe from this Card Academy Bulletin please send an e-mail to [globalinfo@card-academy.com](mailto:globalinfo@card-academy.com).

## The Nordic and Baltic States news

### Sampo Bank on Danske Bank Group's platform

During Easter, Danske Bank Group successfully completed the planned migration of Sampo Bank, Finland, onto the Group's IT platform. Despite minor problems, Sampo Bank and its 121 branches were ready to service the bank's 1.2 million customers using Danske Bank's processes and systems early this

Whilst Card Academy has used reasonable efforts to obtain information from sources which it believes to be reliable it does not make any representations or give any warranties or guarantees that the information provided or any opinions expressed herein are accurate, reliable or complete and none should be relied upon as statements of fact. In no event, including (without limitation) negligence, and in no circumstances will Card Academy be liable for any loss or damage of any kind whatsoever, including (without limitation) any direct, special indirect or consequential damages, caused by the use of or reliance upon information provided or opinions expressed herein.



## Card Academy

Horsevænget 28  
DK-2610 Rødovre, Denmark  
Phone: +45 21296840  
email: [globalinfo@card-academy.com](mailto:globalinfo@card-academy.com)  
[www.card-academy.com](http://www.card-academy.com)

morning.

“The migration increases the competitiveness of Sampo Bank within all business areas,” says Peter Straarup, chief executive of the Danske Bank Group. “Our customers in Finland can now benefit from the advantages provided by a large, international bank.”

As of today, customers in Finland have access to a wider choice of products whilst continuing to enjoy a high level of electronic services.

It has taken a substantial effort to reach this far. During the past year, 2,500 employees of the Group have been busy preparing the migration. They have carried out 50,000 tests and migrated more than 2 million customer accounts and 800,000 ebanking agreements to Danske Bank’s systems.

Danske Bank acquired Sampo Bank, the third largest bank in Finland, with effect on 1 February 2007. With 1.1 million personal customers and 100,000 corporate customers, Sampo Bank has shares of 15% of the personal customer market and 20% of the corporate customer market. The Bank has a staff of around 3,100.

Danske Bank acquired Sampo Bank for DKr30.1bn. Until 2009, Danske Bank will pay integration expenses of DKr1.6bn. The migration of Sampo Bank onto Danske Bank’s IT platform and the organisational integration are still expected to generate annual cost and funding synergies of DKr610m with full accounting effect from 2010.

The acquisition of Sampo Bank included banks in Estonia, Latvia and Lithuania. The Baltic banks, which have a total of 270,000 customers and 44 branches, will migrate to Danske Bank’s platform in the course of 2009. From mid-2008, the three banks will market themselves under the names of Sampo Pank (Estonia), Danske Banka (Latvia) and Danske Bankas (Lithuania). (*Source: Danske Bank, March 2008*)

## **FinansTilsynet (FSA) is chasing ArtMoney**

A news means of payment – Art Money – has become so popular that FinansTilsynet (The Danish Financial Supervisory Authority) has decided to intervene.

More than DKK 400 million is currently issued in this alternative art money currency - a system founded by the Danish Art creator Lars Kræmmer.

He has founded “Bank of International Art money” – which allow Art creators from all over the world to issue art money, which in its own right is a small unique piece of art.

The number of merchants accepting this alternative currency is increasing, and the currency is accepted by a rising number of Art creators as well.

A lot of people collect art money, because of the fact that each “note” in itself is a piece of art.

More than 1,000 Art creators take part in this currency, in which way they can “issue notes” and through that make contributions to their private financials. *Source: (Jyllands-Posten, March 8, 2008)*

Whilst Card Academy has used reasonable efforts to obtain information from sources which it believes to be reliable it does not make any representations or give any warranties or guarantees that the information provided or any opinions expressed herein are accurate, reliable or complete and none should be relied upon as statements of fact. In no event, including (without limitation) negligence, and in no circumstances will Card Academy be liable for any loss or damage of any kind whatsoever, including (without limitation) any direct, special indirect or consequential damages, caused by the use of or reliance upon information provided or opinions expressed herein.



## Europe & World Wide news

### **EC launches probe into Visa Europe interchange fees**

The European Commission (EC) has launched a formal investigation into the interchange fees charged by Visa for cross-border card transactions.

In a statement, the EC says it is investigating whether the interchange fees charged by Visa Europe "forbid restrictive business practices such as price fixing".

The inquiry also covers transactions under Visa's 'honour-all-cards-rule', which obliges merchants to accept all valid Visa-branded cards, irrespective of the identity of the issuer, the nature of the transaction and the type of card being issued.

The move follows the expiry of a 2002 antitrust agreement between the card company and the EU's Competition Commission when Visa agreed to reduce levels of interchange fees for processing card transactions in return for immunity from legal action.

Visa Europe, which separated from Visa Inc before the US company's initial public offering (IPO), is reported to be continuing talks with the EC toward a new settlement, although it does argue that a "substantial reduction" in interchange would result in a "disproportionate shift" in the costs of the card payments system from retailers to consumers.

News of the probe comes two months after the EC ordered MasterCard to scrap the non-negotiable interchange fees charged for cross-border transactions or face daily penalties.

MasterCard lodged an appeal against the ruling earlier this month. (Source: *Finextra*, March 2008)

### **NETELLER Group and Centricom Establish Joint Venture to Distribute POLi Online Bank Payment Platform in Europe**

The NETELLER Group (LSE: NLR), the independent global online payments business, has established a joint venture, Centricom Europe Limited, with Centricom Pty Ltd, to distribute the POLi service in Europe. Under the joint venture, the Group also announces the launch of the POLi payment service for the UK market, distributed through NETELLER's payment processing arm, NETBANX.

In August 2007, the NETELLER Group announced it had taken a 25% strategic stake in Australian POLi operator, Centricom Pty Ltd. The European joint venture is a 50/50 joint venture between both parties.

The POLi service is a safe and convenient method to make online payments. Through the POLi service, consumers can make payments to merchants anywhere in the world directly from their existing Internet banking service without disclosing their bank or credit card details. According to reporting merchants in Australia who have implemented POLi, the service now accounts for an average of 23% of their total online payment transactions. The new UK service supports transfers from all major UK high street banks.

POLi in UK is operated by Centricom Europe Limited, and is distributed to merchants through the NETELLER Group's payment arm, NETBANX. More information can be found at [www.netbanx.com](http://www.netbanx.com). (Source: *Neteller*, March 11, 2008)

### **Chase Paymentech Formally Opens European HQ in Dublin, Ireland**

Chase Paymentech has announced it has formally opened the doors of its European headquarters in Dublin, Ireland. Within three years, the new office will provide operational support for a 100-person team across Europe responsible for expanding Chase Paymentech operations, marketing initiatives and customer support activities outside the United States.

Whilst Card Academy has used reasonable efforts to obtain information from sources which it believes to be reliable it does not make any representations or give any warranties or guarantees that the information provided or any opinions expressed herein are accurate, reliable or complete and none should be relied upon as statements of fact. In no event, including (without limitation) negligence, and in no circumstances will Card Academy be liable for any loss or damage of any kind whatsoever, including (without limitation) any direct, special indirect or consequential damages, caused by the use of or reliance upon information provided or opinions expressed herein.



ISSUE # 04, March 2008

## Card Academy

Horsevænget 28  
DK-2610 Rødovre, Denmark  
Phone: +45 21296840  
email: [globalinfo@card-academy.com](mailto:globalinfo@card-academy.com)  
[www.card-academy.com](http://www.card-academy.com)

Inaugural operations at the new facility were celebrated today by an opening ceremony and tour by Irish Prime Minister Bertie Ahern, Chase Paymentech president and chief executive officer Michael Duffy and managing director of Chase Paymentech's European operations Shane Fitzpatrick.

Led by Fitzpatrick, Chase Paymentech's expanded Dublin presence enhances the company's broader strategy to best serve its merchant partners across the globe through a series of cross-border payment initiatives.

According to Forrester Research, the number of Europeans shopping online will grow from 100 million to 174 million. In the United Kingdom, the average yearly per consumer Web retail spend will grow from around 1,000 euro to 1,500 euro, as UK consumers outspend even their US counterparts online. Overall, this will cause European ecommerce to surge to 263 billion euro in 2011, with travel, clothes, groceries, and consumer electronics all above the 10 billion euro per year mark.

European Central Bank data indicates that in 2006 retail payment systems processed 35 billion transactions, with a total value of 26.4 trillion euro. The use of cashless payment instruments across all European countries has steadily increased over the past few years.

The Single European Payments Area (SEPA) initiative will result in significant payment infrastructure change in Europe, removing all differentiation between national and cross-border payments within the euro area. Chase Paymentech Europe is working diligently with the European Central Bank and regulatory bodies to ensure that the perspective of our merchant base is properly considered. SEPA will allow consumers to make non-cash euro payments to any beneficiary located anywhere in the euro area using a single bank account and a single set of payment instruments. All retail payments in euro will thereby become "domestic."

Chase Paymentech has supported the dynamic growth of US-based online merchants for decades, since the birth of ecommerce. For more than 10 years, the company has partnered with major ecommerce retailers to enable the payment strategies that supported those same merchants as they expanded their business to the European continent. Today's event marks a significant key milestone in Chase Paymentech's global expansion strategy. (Source: *Payment News*, March 2008)

## **Recommendations for Credit Card Issuers to Mitigate Credit Risk**

TowerGroup has announced new research titled "Process and Data Risks in a Changing Economy: How Credit Card Issuers Can Protect Their Portfolios" that identifies critical steps credit card issuers can take to withstand the current credit storm, and recover more quickly when the economy normalizes.

Existing models and metrics did not prepare issuers for the credit crisis that followed in the wake of the subprime mortgage collapse. To remain successful, TowerGroup believes, card issuers must look deeply into each segment of their portfolios and react more quickly to the fast-changing environment.

The most important message for card issuers in 2008 is that each segment of their customer base will behave differently. Tools that worked well before (such as linear regression models that follow the month-to-month aging of payment delinquency) have never been tested under the current extreme risk conditions. In order to prevent systemic failure issuers must look at all functional processes to ensure that each business segment is tuned to the new environment. (Source: *Payment News*, February 28, 2008)

## **MasterCard Worldwide Named Best Corporate Card and Expense Services Provider by Global Finance Magazine**

For the second consecutive year, MasterCard Worldwide has been named the "Best Corporate Cards and Expense Services Provider" by Global Finance magazine. The honour underscores how

Whilst Card Academy has used reasonable efforts to obtain information from sources which it believes to be reliable it does not make any representations or give any warranties or guarantees that the information provided or any opinions expressed herein are accurate, reliable or complete and none should be relied upon as statements of fact. In no event, including (without limitation) negligence, and in no circumstances will Card Academy be liable for any loss or damage of any kind whatsoever, including (without limitation) any direct, special indirect or consequential damages, caused by the use of or reliance upon information provided or opinions expressed herein.



## Card Academy

Horsevænget 28  
DK-2610 Rødovre, Denmark  
Phone: +45 21296840  
email: [globalinfo@card-academy.com](mailto:globalinfo@card-academy.com)  
[www.card-academy.com](http://www.card-academy.com)

MasterCard is the premier provider of commercial payments and services that provide actionable information, turnkey integration and unmatched optimization solutions, which benefit acquirers, merchants, issuers and their customers in all areas of the world. The publication's editors selected MasterCard based in part on input from industry analysts, corporate executives and technology experts. The results of the exclusive survey will be published in the March 2008 issue of the magazine.

MasterCard develops global business-to-business payment solutions for large corporations, small and mid-sized businesses, and the public sector. Working closely with issuers, merchants and acquirers, MasterCard designs end- to-end payment solutions to meet the needs of each customer segment, resulting in products and services that empower commercial customers to better differentiate, manage and optimize their business.

Factors considered in selecting the winners included profitability, market share and reach, customer service, competitive pricing and product innovation. (*Source: Payment News, March 04, 2008*)

### **Barclaycard Business launches pre-paid card service for retailers**

Barclaycard is partnering with payment services vendor Card Commerce to launch a service for UK retailers looking to offer pre-paid gift cards to customers.

The new service - offered by Barclaycard Business - will enable retailers to offer own-branded gift, savings club and refund cards to customers in a more cost effective and convenient way, says the bank.

The nationwide launch of the gift card service follows a three month pilot with Autonomy, a ladies clothes chain operating stores around the country.

Barclaycard Business says the pre-paid technology can be integrated into its existing payment terminals, with no additional equipment required.

Retailers also have access to real time online management information, enabling them to track transaction details and monitor outstanding card balances. The store's own customers are able to track transactions and outstanding balances by visiting a dedicated Web site.

Commenting on the new product, Bill Thomson, MD, Barclaycard Business, says: "The set-up is very quick and easy and retailers are attracted to the all in one solution whereby they only have to deal with one supplier. Barclaycard Business will be working with Card Commerce and its business customers in order to take a lead role in this market and we anticipate significant retailer demand for this product."

Barclaycard cites 2007 Payment Services Report figures suggesting the pre-paid card market will be responsible for 3.1 billion transactions in Europe and a turnover of EUR79 billion by 2010. (*Source: Finextra, March 10, 2008*)

### **Is Target Corp.'s Credit Too Generous?**

Ben Bernanke must love retailer Target Corp., because its credit-card business is one of the few operations in the US that has strongly increased lending in the face of the credit crunch.

Now, though, some analysts are wondering whether the torrid expansion of the card business in the current tough environment could lead to higher-than-expected bad loans.

At the end of Target's fiscal fourth quarter, which ended Feb. 2, the company had \$8.62 billion of loans outstanding on its Visa cards, which can be used at other retailers as well as Target, and its private-label cards, which are for purchases at Target only.

That total was up 29% from the \$6.71 billion a year earlier -- and the growth rate was even greater than the 25% year-on-year rise posted in the fiscal third quarter. The card business has been responsible for a large part of the retailer's overall earnings growth.

Whilst Card Academy has used reasonable efforts to obtain information from sources which it believes to be reliable it does not make any representations or give any warranties or guarantees that the information provided or any opinions expressed herein are accurate, reliable or complete and none should be relied upon as statements of fact. In no event, including (without limitation) negligence, and in no circumstances will Card Academy be liable for any loss or damage of any kind whatsoever, including (without limitation) any direct, special indirect or consequential damages, caused by the use of or reliance upon information provided or opinions expressed herein.



## Card Academy

Horsevænget 28  
DK-2610 Rødovre, Denmark  
Phone: +45 21296840  
email: [globalinfo@card-academy.com](mailto:globalinfo@card-academy.com)  
[www.card-academy.com](http://www.card-academy.com)

Other credit-card lenders' loan books have either shrunk or grown much more slowly. For instance, Discover Financial Services' U.S. credit-card business reported a 5% annual increase in loans in its fiscal fourth quarter, ended Nov. 30. Loans outstanding at Capital One Financial Corp.'s U.S. card business declined 2.8% in its fourth quarter, while Citigroup Inc.'s rose 3.6% and J.P. Morgan Chase & Co.'s was up 3%.

For several years, critics have been predicting a blow-up in Target's credit business. It never happened. And Mr. Scovanner notes that the company has yet to report credit losses that exceed company forecasts. He expects that to remain the case this year and predicts the company will report credit losses of about 7% of loans this year, up from 5.9% in the last fiscal year. Discover's credit losses were 3.82% of loans in its latest fiscal year, while Capital One's were 2.88%. (Source: *WSJ*, March 2008)

## Scheme news

### Visa International

Investors stand to make big money if Visa Inc. shares do well after the company sells stock this month in what's expected to be the largest initial public offering in U.S. history. One of those who could make a killing is Joseph Saunders, the company's CEO.

Saunders, named to the top job with the San Francisco payment card processor last year, will get options to buy 831,444 Visa shares at the offering price. The award is worth \$11 million, based on the expected increase in Visa's share price over time, the company calculated in its IPO registration statement filed with the Securities and Exchange Commission.

Options give the holder the right to buy shares at a preset price and pocket the difference if the underlying stock rises in value. Saunders' options vest, or become usable, in stages over a three-year period.

In addition, Saunders, 62, will receive an outright grant of 12,025 shares of stock, worth \$475,000. That's in addition to the \$11.2 million he received in salary and bonus in 2007 for a little more than 10 months of work.

Compensation experts say Saunders' payout is not extraordinary in an era of stratospheric CEO pay.

"The amounts on their face don't sound like a 'holy cow' moment," said Broc Romanek, editor of *CompensationStandards.com*, which advises boards on executive pay. "It sounds like the norm. The problem is that the norm these days is whacked."

Others point out that Visa's situation is special because of the sheer size of the estimated \$18 billion to \$19 billion offering, the company's history as a membership association transformed into a for-profit corporation, and Saunders' brief tenure.

"When you consider that ... the CEO did not receive equity awards last year ... and that Visa's peers routinely grant equity on an annual basis, it is not surprising that Visa's board would approve substantial awards at the time of the IPO," said Alexander Cwirko-Godycki, research manager of Equilar, a Redwood City executive compensation research firm.

When rival payment processor MasterCard went public two years ago, Chief Executive Officer Robert Selander received stock awards of just under \$10 million, according to a regulatory filing. MasterCard is a much smaller company than Visa.



## **MasterCard International**

At its 7th Annual Debit Conference today, MasterCard Europe revealed the emergence of a series of significant cross-border purchasing trends in Europe coinciding with the official launch of the Single Euro(pean) Payments Area (SEPA).

The usage of European Maestro debit cards<sup>1</sup> for cross-border payments at retailers rose by 24% in 2007 compared to the previous year. Globally in 2007, European issued Maestro cards were used in nearly every one of the 210 countries and territories where Maestro cards are accepted.

As European consumers get into the habit of borderless shopping, growth at traditional debit card usage locations such as petrol stations is being joined by other categories including supermarkets (up 28% year-on-year in 2007) and clothing (up 30% year-on-year in 2007). This underscores Maestro's value as a 'plastic Euro' facilitating international trade through its use as a means to pay for everyday goods and services.

MasterCard's analysis highlights the move by European consumers to cashless payments as seen by the increasing share of Maestro debit card transactions for purchases at retailers versus cash withdrawals at ATMs. In 2007, 42% of European Maestro debit card transactions were at merchant point-of-sale terminals, up from 37% in 2005. ATM cash withdrawals accounted for 58% of the transactions in 2007, down from 63% in 2005. Though these increased in absolute terms, they lost ground to cashless payments on Maestro cards signalling the development of a cash free future for European consumers and retailers.

France, driven in part by its traditional position as a preferred holiday destination for many Europeans, can be considered the nation at the centre of European commerce as it accounts for the greatest percentage of Maestro transactions completed with foreign-issued cards.

"One trend we are noticing is a growth in the use of debit cards in neighbouring countries. For example, Maestro spend by German consumers in major population centres along the country's borders including Belgium, Austria, the Netherlands and Poland, is increasing rapidly - over two thirds (71%) of cross-border POS transactions on German issued Maestro cards being made to purchase petrol, clothing and food", commented Eric Tomlinson, Senior Vice President, MasterCard Europe Debit.

"With retailers and consumers actively being upgraded to international SEPA-compliant brands like Maestro, we are noticing a trend toward the development of distinct economic zones within Europe," said Luke Olbrich, Vice President, SEPA Solutions, MasterCard Europe.

"A single market is already developing in Europe which shows that SEPA is not just about the 3%<sup>2</sup> of transactions that take place abroad when people are on holiday. It can be truly instrumental in the creation of a single market with customers now moving freely across borders to carry out their day-to-day shopping, enjoying the benefits of the 'same card, same code, more convenience' that they enjoy at home through the Maestro network."

Concluding, Olbrich said, "A significant number of European banks are now in the final stages of upgrading the remaining national use only credit and debit cards to MasterCard<sup>®</sup> and Maestro. Based on the number of European bank cards currently providing these SEPA-ready solutions, it is clear that we are already delivering on the promise of a Single Euro(pean) Payments Area, with cardholders able to use credit and debit cards in the Euro Zone, across the EU, and indeed worldwide in the same way as they do at home." (Source: MasterCard Europe, March 2008)

Whilst Card Academy has used reasonable efforts to obtain information from sources which it believes to be reliable it does not make any representations or give any warranties or guarantees that the information provided or any opinions expressed herein are accurate, reliable or complete and none should be relied upon as statements of fact. In no event, including (without limitation) negligence, and in no circumstances will Card Academy be liable for any loss or damage of any kind whatsoever, including (without limitation) any direct, special indirect or consequential damages, caused by the use of or reliance upon information provided or opinions expressed herein.