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Latest news from Card Academy

A service available next to your office

Our objective with Card Academy is to provide our participants with introductions and more in-depth seminars and workshops on issues related to International Cards.

All our Card Academy Modules are flexible and can be customized to meet the needs of new employees as well as staff who have spent more years within the International Payment Cards Business.

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 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 .

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The Nordic and Baltic States news

BBS acquires Norwegian Netaxept

BBS has acquired e-commerce business Netaxept from DnB NOR in Norway. The parties have also agreed that for the next five years DnB NOR will distribute e-commerce services for BBS. The acquisition is part of the overall BBS strategy to become a leading service supplier on e-commerce services in the Nordics.

Netaxept is the leading service provider of e-commerce services in Norway. Britt Løkkeheim from Netaxept has been hired by BBS as responsible for the business, and she will be the new Managing Director of Netaxept.

Precise Biometrics gets SKr5.7m grant for EU authentication project

Sweden's Precise Biometrics has been awarded a research grant worth SKr5.7 million to participate in an EU-funded project to develop an advanced identity management system that combines fingerprint biometrics and cryptography

The so-called Turbine (Trusted Revocable Biometric Identities) project is a three year initiative to develop an authentication method based on advanced fingerprint recognition technology and complex cryptographic techniques for use in a number of industry sectors including banking, government and health.

Precise Biometrics says it will mainly contribute its expertise in fingerprint recognition technology and methods of extracting fingerprint information. The firm says it will also use the research to develop its own products further.

Thomas Marschall, CEO, Precise Biometrics, says the Turbine project offers a great opportunity for the firm to strengthen relationships with other industry players.

"In addition it will give us a chance to advance our position on the European market, which in return may give us additional advantages in upcoming European national ID card procurements" he adds.

The Swedish vendor has been selected along with Sagem Sécurité, Philips Research Europe, SAGEM-ORGA, Katholieke Universiteit Leuven, Gjøvik University College, Cryptolog, 3D-GAA and ARTTIC to work on the Skr 60.2 million project. (Source: *Finextra*, April 2008)

Nordea and Stockmann to start card cooperation in Finland

A long-term card and marketing cooperation agreement between Nordea and Stockmann is to start in Finland. The new Stockmann MasterCard, which is free of annual charge, will be launched this month. Customers will now get access to a competitive and versatile card that combines the benefits offered by Stockmann and Nordea.

Nordea and Stockmann previously signed an agreement on the sale of the credit card and customer financing stock linked to Stockmann's loyal customer programme to Nordea in Finland, Latvia and Estonia. The long-term card and marketing agreement also aims to develop Stockmann's card services.

There is no annual fee for Stockmann MasterCard, which is linked to Stockmann's loyal customer programme. The card combines the benefits of Stockmann's loyal customer status, Nordea's expertise in cards and the qualities of an international payment card. The customers will be able to enjoy various benefits jointly offered by Nordea and Stockmann. Moreover, Stockmann MasterCard is also available as a combination card that can be linked to a Nordea bank account.

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The aim is to launch the Stockmann MasterCard in Latvia towards the end of 2008 and in Estonia in early 2009.

In the card cooperation, Nordea will be responsible for the financing of Stockmann MasterCards, for card issues and card services. Naturally, the two companies' customer systems will remain separate. Stockmann MasterCard will replace Stockmann's current account card. The new agreement will further strengthen Nordea's position as the market leader in credit cards in Finland. It will also foster growth potential in Latvia and Estonia. Stockmann's loyal customers total over 1.6 million. (Source: *Hugin, April 2008*)

Paynova adds transaction volume of SEK 10 billion per year

Paynova has agreed on a dramatically expanded partnership with the company's Chinese partner CRD. Among other things, agreement has been reached for Paynova and CRD to assess and work for a merger between the two companies.

The expanded partnership is based on a joint perception that the payment service constitutes a vital part of CRD's virtual world and that Paynova's payment service is ideal for this task. Paynova and CRD also believe that a merger in the long term would benefit both parties, in part against the background of how vital the payment service is for the mode of operation of the virtual world. CRD is prepared, as a first step, to acquire newly-issued shares up to the equivalent of 10 per cent of the share capital of Paynova. CRD will thus be both an industrial partner and a part owner of Paynova.

CRD's aim from October 2008 is to gradually build up and provide Paynova with transaction volumes of RMB 1 billion per month, corresponding to around MSEK 900, by the end of 2010. Paynova's net income constitutes 1 per cent of the transaction volume.

Paynova and CRD will also assess the conditions for implementing cross-ownership of the companies in the region of 3-5 per cent of the share capital.

The board's decision on agreements with CRD is dependent on the Paynova annual general meeting authorising the board to issue new shares to CRD.

CRD works on behalf of the Chinese government in order to build an extremely comprehensive virtual world – Beijing Cyber Recreation District – in order to create one of the world's leading platforms for e-business and online gaming.

The commercial launch of the first parts of the project are planned for the third quarter of 2008, when Paynova's operational delivery will allow Chinese online users to pay with local payment methods and local currency.

CRD's activities are based on technology from Swedish company MindArk (the company behind the Entropia Universe virtual world, for which Paynova is a supplier), among others.

Since 2006, Paynova and CRD have had a partnership in which Paynova's task is to supply payment services for a platform for e-business and online gaming which, according to the plan, is to be launched during the third quarter of 2008. During 2007, joint marketing initiatives have been arranged in the USA, the UK, China and South Korea, among others.

During the last week, they continued these joint marketing initiatives in New York at the leading gaming fair Virtual Worlds 2008. Paynova's seminar attracted huge interest and was visited by around 130 different online companies. (Source: *Paynova, April 2008*)

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Europe & World Wide news

Pre-paid card with proof-of-age launched in UK

A Visa card that combines pre-pay functionality with government-approved proof-of-age verification has been launched in the UK. The UreLife card, which includes a colour photograph and Proof of Age Standards Scheme (PASS) accredited hologram, is being launch in London's Oxford Street.

The cards - available in five age groups; 12-15 years, 16-17, 18-20, 21+ and 60+ - are colour-coded according to age category and include a photo, hologram and the holder's date of birth. The PIN-enabled card can be topped up by phone, direct debit, cheque and postal order.

UreLife says the new card provides parents and retailers with an effective way to stop under-age spending on prohibited items such as alcohol and cigarettes whilst offering teenagers and young adults freedom and security when shopping.

The card includes a number - which is required for online and telephone purchases - that corresponds to the cardholder's age and enables retailers to detect under-age buyers.

Carl Horne, director, UreLife, says: "The UreLife card is a new, safer way to carry, manage and spend money. Under-18s will have all the benefits and freedoms of cashless spending, while the proof-of-age mechanism will restrict purchases of alcohol, cigarettes and other age-restricted products." Please visit www.urelife.com for further information. (Source: *Finextra*, April 2008)

Barclaycard Plans to Issue Over 1 Million Contactless Cards in UK

Barclaycard has announced plans to issue over one million contactless cards this year. Barclaycard began issuing contactless enabled cards in London in September 2007 with the launch of Barclaycard OnePulse, the 3-in-1 card featuring Oyster, credit and contactless payment functions.

At the same time in London, Barclaycard Business launched OneTouch, its in-store contactless payment acceptance technology. Following the success of this London launch Barclaycard Business began its national rollout of contactless technology and now has more than 4,000 retail outlets across the UK with live OneTouch terminals. The company is on track to have up to 20,000 outlets live by the end of 2008.

Of the 4,000 retail outlets already live, more than 2,000 are now outside Greater London, spanning a wide range of consumer spending categories. The range of merchants accepting contactless transactions includes names as diverse as Rowlands Pharmacy, a 500-strong national chain with more than 500 terminals live in the UK and Mind, the leading mental health charity in England and Wales, with 94 terminals live.

Other retailers now set to go live with OneTouch terminals include The National Trust, which will roll out 500 terminals in its gift shops, tearooms, restaurants and admission payment points across the UK. Thousands of other merchants are adopting the innovative new technology each month. (Source: *Payment News*, April 2008)

Donations of £1 Billion on Cards in 2007 Across UK

APACS, the UK payments association, has announced that "donations to charitable organisations on plastic cards reached £1.013 billion in 2007- up from £842 million in 2006. This is the first time donations on plastic have gone through the £1 billion barrier."

By volume, this represents an increase of 23% (from 18.5 million in 2006 to 22.6 million in 2007). The increase is comprised of 2.9 million more debit card and 1.3 million more credit card payments, proving



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that debit cards remain the popular option when donating. The average value of a donation on a plastic card in 2007 was £44.75.

Affinity cards are another way in which consumers can contribute to charity, but without any extra personal cost, as the card issuer makes a donation to the particular cause linked to that card. Typically the issuer will donate when the account is first opened, or the card activated, thereafter making a specified payment depending on the card usage. Last year £7.5 billion was spent on the 4.8 million affinity cards in issue in the UK, which represents an 8% increase from the amount spent in 2006. Comic Relief is just one example of many hundreds of charities that benefit from affinity cards.

Sandra Quinn, Director of Communications at APACS said: "Last year we donated a staggering £1 billion on our cards and it seems very likely that our increasing preference to pledge by plastic has been spurred on by all the growing opportunities to pay online or over the phone. The first time many of us used our plastic to donate was on the back of the massive Asian Tsunami appeal and since this time, the average monthly volumes and values donated to charitable organisations by card has continued to rise. (Source: *PaymentsNews*, 2008)

The Evolving Landscape for Prepaid Cards in Latin America and Europe

Prepaid programs and products have become more diverse and more widely available than ever before, and have garnered awareness and acceptance from consumers across the globe, including in Latin American and Europe. An increasing number of users in these regions are adopting prepaid for their payment needs. Governments in countries with highly developed payment card markets as well as those with emerging markets are issuing social benefits to their citizens via prepaid cards. Many employers have also begun to issue payroll, per diem payments, and card-based vouchers to their employees instead of paper checks.

Other growing segments in Latin American and European prepaid markets include gifting, transit-ticketing, remittance and money transfers, and general prepaid cards, which are often used for travel, online shopping, payment cards for the un-banked, and other purposes. Although the response to stored-value products have been positive in developed card markets, like the UK, France, and Germany, consumers in emerging electronic-payment markets in Latin America, while more hesitant than their European counterparts, are becoming more familiar with prepaid products and cashless transactions in meeting their daily payment needs. There are certainly many potential opportunities for growth in each prepaid segment in card markets in Latin America as well as Europe, as new innovative products are crafted to meet each consumer population's unique payment needs.

Each market's unique conditions should be taken into consideration, but it is irrefutable that usage will only continue to expand as more consumers realize the advantages of prepaid cards, and new innovative products become available. (Source: *PaymentsNews*, 2008)

Bank card-based retail sales more than double in China

A study shows that bank card-based retail sales grew 58 percent in 2007 to USD 428 billion, indicating that a growing number of Chinese people are apparently inclined towards using plastic cards. Bank card spending, except for real estate transactions, represented 21.9 percent of retail sales, an increase by 4.9 percent year-on-year.

At the end of 2007, China registered 1.5 billion bank cards, representing an increase by 32.6 percent. Nearly 1.41 billion were debit cards, a sector that registered a growth by 30.4 percent and 90.26 million were credit cards (up by 82 percent).

Data was provided by People's Bank of China. (Source: *ePaymentsnews*, April 2008)

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RBS first to deploy MasterCard inControl platform

The Royal Bank of Scotland (RBS) is using MasterCard's new inControl processing platform as the basis of a corporate payments system which enables business customers to set strict parameters on spending on corporate cards.

The bank is the first to implement the inControl platform, which MasterCard developed in partnership with Dublin-based payments technology vendor Orbiscom. MasterCard says the new system will enable RBS corporate customers to better manage, analyse and control procurement expenditures.

RBS will market the purchase control system as its Approval to Buy service. The system will be available to UK customers during the next twelve months, with a wider roll out set to follow.

The bank will work with customers to set up software that enables them to set spending limits for single employees or groups of staff and authorise individual purchases.

The system also enables companies to generate unique purchasing card numbers for defined, one-off purchases within a particular time frame that can be made online, over the phone or by mail. For example, a virtual card can be made operational for staff members who need to make miscellaneous purchases or who are not at a level of authority to own a corporate card.

In addition, MasterCard says companies can more easily reconcile expenses to ensure all corporate spending can be analysed and accounted for, whilst alert features update on spending in real time.

Raghav Prasad, head, commercial cards, RBS, says: "We identified there was customer demand for transaction controls that can be tailored to individual staff and business requirements. We wanted to offer customers the flexibility to undertake transactions within parameters reflecting the specific needs of their business." (Source: *Finextra*, April 2008)

French and German banks mulling rival to Visa and MasterCard - reports

A group of major banks French and German banks are looking to establish a pan-European card network that will compete with schemes operated by Visa and MasterCard in the region, according to press reports.

Deutsche Bank, Commerzbank, BNP Paribas and Société Générale are among the firms participating in the initiative, are in talks with the European Commission (EC) about the plan, according to a report by the Financial Times.

However the banks want more "regulatory clarity" on interchange fees before proceeding, says the report.

The FT report, which cites "a person familiar with the plan" says the EC would need to accept an "appropriate level" of interchange fees before the banks would invest in the scheme and may prefer, in the end, to continue to use the Visa and MasterCard networks if no "clear solution" is provided by the regulator.

A report on the move by German financial daily newspaper Boersen-Zeitung, which quotes bank sources, says the proposed credit card scheme is expected to be based on the same interchange model as the Visa and MasterCard networks in Europe.

The European Commission, the European Central Bank and national central banks must approve the initiative before banks in other European countries can join the initiative, says the Boersen-Zeitung article.

However regulators have not yet approved the new credit card scheme. Jonathan Todd, spokesperson for competition commissioner Neelie Kroes, told reporters the banks taking part in the scheme have contacted the commission on an informal basis, but no greenlight has been given.

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News of the credit card initiative follows reports last year that a group of Europe's largest banks - including Société Générale, Deutsche Bank, Dresdner Bank, Commerzbank, Unicredito, ABN Amro, ING and Rabobank - were holding discussions to establish a Europe-wide debit card scheme that would compete with MasterCard and Visa. (Source: *Finextra*, April 2008)

Scheme news

Visa Expands Small Business Discount Offers Program Globally

Visa has announced the global expansion of its merchant offers program for small businesses. "Visa Business cardholders now can access more than 130 discount offers, including country specific, regional and global offers. Discounts are currently available on products and services in 17 merchant categories- including car service/rental, computer/electronics, entertainment and telecommunications."

"We expanded our domestic discount offers program to help Visa Business cardholders extend their purchasing dollar and, in doing so, raised the bar for delivering real value to small businesses around the globe," said Raghav Lal, senior vice president, Small Business, Visa Inc. "Small business owners worldwide are focused on efficiently managing their bottom line and reaching their business goals. Providing them with online access to discounts from merchants that are relevant to their business is just one more way that Visa provides small business owners with more value in their payment card offering."

"Enabling global commerce is a promise Visa delivers on every day," said Paul Romanko Americas EPP & Affinity Team Lead, Lenovo Americas. "By participating in the Visa Business Merchant Offer Program, merchants gain access to small business owners globally which ultimately translates into the opportunity for increased sales." (Source: *Payment News*, April 2008)

MasterCard introduces New Debit Processing Platform

MasterCard Worldwide has announced MasterCard Integrated Processing Solutions™ (IPS) – a powerful MasterCard-engineered debit processing platform. MasterCard IPS offers financial institutions a complete processing solution to help create differentiated products and services, enabling them to quickly expand their payments portfolios across banking channels.

Through a single connection, MasterCard IPS provides banks with a suite of branded debit network and card issuer processing services including PIN, signature, and ATM driving. The platform also introduces a user-friendly customer interface, MasterCard Portfolio Viewer, which greatly simplifies the process for banks to package cardholder data into customized reports. Banks can quickly and easily change the Portfolio Viewer configuration and report parameters with no hard coding.

Security Service Federal Credit Union (Security Service FCU) will be the first MasterCard customer to implement MasterCard IPS, reaffirming its commitment to MasterCard debit offerings with an exclusive agreement. Beginning in the second quarter of 2008, MasterCard will provide Security Service FCU with complete branded debit network and issuer processing.

MasterCard IPS simplifies product differentiation by using a parameter-based system to rapidly design and deploy innovative payment products and services that can be specifically customized at the local, regional and national levels yet still operate within a secure global framework. Banks can streamline the rollout process and save considerable time and resources by providing data for the platform's pre-determined parameters to customize a host of product or service options.

MasterCard IPS also helps banks realize greater value from next-generation automated teller machine (ATM) networks by transforming them into advanced distribution channels that integrate with other channels. They can now provide greater options to leverage products, transactions, marketing,

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promotions and cardholder preferences. For example, a bank wishing to increase debit transaction volume could direct a promotion to frequent ATM users to encourage their use of debit cards for purchases.

MasterCard IPS, together with the sophisticated MasterCard data warehouse, delivers aggregated data across accounts and product lines. It not only provides a 360-degree view of information but also has the flexibility and intelligence to supply customizable geographic and demographic data to its financial institution customers. *(Source: MasterCard, April 2008)*

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