



# Card Academy Bulletin

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Card Academy

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## Latest news from Card Academy

### Your Mentoring Plan

As a Manager you may want to have a “sounding board” for ideas and market trends. The Mentoring Plan is supposed to be a “one day per month” program, allowing you to have access to profiles with in-depth knowledge and experience from the payment cards industry.

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.

Please feel free to contact me on [kurt.andersen@card-academy.com](mailto:kurt.andersen@card-academy.com) for further information on Your Mentoring Plan as well as 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) .

Yours sincerely,

Kurt Andersen

Managing Director, Card Academy

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## The Nordic and Baltic States news

### **DnB Nor and Telenor form mobile payments unit**

Norwegian banking group DnB Nor and local telco Telenor have disclosed plans to establish a mobile payments venture. The new mobile payments venture, called Trusted Service Manager (TSM) Nordic, will be a subsidiary of Doorstep - a joint venture owned 50/50 by DnB Nor and Telenor.

The new company will distribute and maintain payment cards and tickets in handsets on behalf of issuers and in cooperation with mobile operators as well as "look into business opportunities", say the partners. The move comes at the same time as a public trial of near field communications (NFC)-based contactless mobile payments technology by DnB Nor, Telenor and MasterCard.

The pilot utilises MasterCard's PayPass contactless technology, which will enable customers to pay for low value purchases at certain retailers in Oslo city centre by tapping their handsets on a specially-equipped terminal. Customers are also able to pay for and store travel tickets using their handsets.

DnB Nor's Bent Bentsen will become general manager of the company while Hanne Sjørusen at Telenor will take on the role of chairman of the board of directors. "Through the establishment of TSM Nordic, DnB Nor and Telenor demonstrate their interest in securing a position in the market for payment solutions based on new, contactless technology," says Sjørusen. (Source: *Finextra*. April 2008)

## Europe & World Wide news

### **BaBee Prepaid MasterCard Launches in UK, Links to Mobile**

Introduced by Blueberry Card Services Ltd, the BaBeeCard is a product designed specifically for mothers. It costs just GBP14.95 a year yet gives mums access to hundreds of discounts, from baby-related items to everyday essentials like groceries and petrol plus big ticket items like holidays. Just using the grocery and petrol vouchers alone could cover the cost of the card within a month.

It's also one of a new generation of prepaid cards that can conveniently be managed by sending text messages from a registered mobile phone. Cardholders can obtain their balance, top up their card or lock/unlock their card for added security, from anywhere, 24 hours a day.

The BaBeeCard has the option of letting friends, family and partners add funds to the card from any location in the UK, via online bank transfer or via SMS if using the BaBee Top-Up Card. This is a basic version of the BaBeeCard with limited functionality that can be used to make purchases and transfer funds. It's ideal for grandparents who want to help out financially, friends who want to give money instead of a gift for a new baby, or partners who want an easy way to transfer housekeeping funds to stay-at-home mums.

Unlike a credit card, the BaBeeCard doesn't require credit checks and doesn't offer credit so helps mums to budget as they can only spend what has been loaded onto the card. It has the convenience of being accepted everywhere displaying the MasterCard(R) acceptance mark, currently 25.9 million locations worldwide.

Mums can also earn money by referring friends with the BaBeeCard 'mummy-get-mummy' plan. For every friend signed up, a mother will receive GBP5 credited directly onto her card. The BaBeeCard was the brainchild of Gemma Johnson who, during her pregnancy, felt overwhelmed with the cost of preparing for her new arrival and the financial vulnerability changing from a salaried position to maternity pay.

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For every BaBeeCard sold, the company will donate GBP1 to BLISS, a UK registered charity dedicated to working for special care babies and their families. A survey conducted by BLISS late last year found that having a premature or sick baby can put families under crippling financial strain, with an average extra weekly spend of GBP189, and potential long-term implications for a family's finances. (*Source: Payments News, April 2008*)

### **MasterCard rolls out mini PayPass cards in Spain**

MasterCard is teaming with Spanish banking groups La Caja Insular de Ahorros de Canarias and EURO 6000 to trial a miniature version of its contactless PayPass card, which is small enough to attach to a keyring.

MasterCard will conduct initial trials of its Mini Card in the city of Las Palmas de Gran Canaria with 400 customers and 15 merchants, mostly restaurants and pharmacies. A second phase will see the cards rolled out to over 5000 customers.

The PayPass technology will enable customers to pay for purchases of less than EUR40 by tapping their mini plastic card against a specially equipped reader at the selected merchants.

In the past MasterCard has added its PayPass technology to wrist watches in conjunction with Turkey's Garanti Bank and Taiwan's Chinatrust Bank. Meanwhile keyfobs featuring the contactless system are available to Citibank cardholders in the US.

Last October Visa launched its Micro Tag, a chip-based keyring attachment embedded with its payWave contactless technology.

However American Express ditched its Express Pay contactless payments key fob last month following poor customer take-up of the device. (*Source: Finextra, April 2008*)

### **RBS looking to sell off Tesco JV stake**

Royal Bank of Scotland (RBS) is in talks to sell off its 50% stake in Tesco Personal Finance to the UK supermarket in a deal that could be worth up to £1 billion, according to press reports.

Citing "a source close to the discussions", UK free sheet City AM says a sale would be beneficial to both JV partners as it would help the beleaguered bank raise much-needed revenue while enabling Tesco to take complete control of the business

Tesco Personal Finance offers insurance products, credit cards, loans and mortgage products. Last year the venture entered the crowded online price comparison market with the launch of a motor insurance Web site, Tesco Compare.com.

The venture was established in 1997, with RBS providing the necessary banking licence, but it is thought the bank may continue to offer the same services on a contractual basis, says the City AM report.

The latest speculation follows news last week that RBS is looking to sell off its insurance arm, which includes Direct Line and Churchill, for up to £10 billion.

Financial services union Unite has called for urgent talks with the bank over fears of job losses.

Graham Goddard, deputy general secretary, Unite, says: "Last week the workforce of the bank heard news of the possible sale of the insurance division and the news today about a possible sale of Tesco Personal Finance and Mentor will cause further anxiety and uncertainty for the employees." (*Source: Finextra, May 2008*)

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## **Scotiabank launches small change savings programme**

Canada's Scotiabank has launched a new savings programme that automatically rounds-up customer spending on debit cards to the nearest dollar or five dollars and routes the extra money into a savings account.

Customers who sign up to the new "Bank the Rest" savings programme have the option of rounding up all purchases made using debit cards - including point of sale, online and cross border transactions - to the nearest dollar or five dollars, with the difference automatically deposited into a high savings account.

Customers can also calculate and track savings using a tool on the bank's Web site.

"The Bank the Rest savings programme is one way for people to automatically put their money into a high interest savings account as they go about their daily lives and without making big sacrifices. It's surprising how small change can add up to make a big difference," says Deana Stewart, financial advisor, Heritage Village Scotiabank, Edmonton.

In the UK Lloyds TSB introduced a similar service in 2006 where customers' debit transactions are rounded up to the nearest pound, with the difference routed to a savings account.

Bank of America also operates a similar 'electronic change jar' scheme dubbed Keep the Change. (Source: *Finextra*, May 2008)

## **Scheme news**

### **MasterCard Incorporated Reports First-Quarter 2008 Financial Results**

MasterCard Incorporated has announced financial results for the first quarter of 2008. The company reported net income of \$398 million, or \$3.01 per share on a diluted basis, excluding a special item related to a \$49 million after-tax gain from the termination of a customer business agreement. Including this special item, net income was \$447 million, or \$3.38 per share, on a diluted basis. Net income also incorporates after-tax gains of \$56 million, or \$0.42 per share on a diluted basis, from the remaining sales of the company's investment in Redecard S.A. in Brazil. The company's total other income, net income and earnings per share, excluding the special item, are non-GAAP financial measures that are reconciled to their most directly comparable GAAP measures in the accompanying financial tables.

Net revenue for the first quarter of 2008 was \$1.2 billion, a 29.2% increase versus the same period in 2007. Currency fluctuations (driven by movement of the euro and the Brazilian real relative to the U.S. dollar) contributed 5.1% of the increase in net revenue for the quarter. Fueling the higher net revenue in the first quarter versus the same period in 2007 were:

- Growth in MasterCard's gross dollar volume, which increased 14.1%, on a local currency basis, to \$611 billion;
- A 15.7% increase in the number of transactions processed, to 4.9 billion;
- An increase in cross-border volumes of 23.6%; and
- Pricing changes, primarily an increase in cross-border acquiring fees implemented in January 2008, which contributed approximately 6 percentage points of the revenue growth.

Worldwide purchase volume during the quarter rose 15.0%, on a local currency basis, versus the first quarter of 2007, to \$453 billion, driven by increased cardholder spending on a growing number of MasterCard cards. As of March 31, 2008, the company's financial-institution customers had issued 935

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million MasterCard cards, an increase of 12.1% over the cards issued at March 31, 2007. (Source: *MasterCard Int'l, May 2008*)

## **Visa Inc. Reports Fiscal Second Quarter 2008 Earnings Results**

Visa Inc. has announced financial results for our fiscal second quarter ended March 31, 2008. GAAP net income for the quarter was \$314 million, or \$0.39 per diluted class A common share. GAAP diluted class A common shares outstanding were 778 million. On an adjusted basis (reflective of a normalized tax rate and excluding litigation, restructuring and purchase amortization), net income for the quarter was \$401 million, or \$0.52 per diluted class A common share. Adjusted diluted class A common shares outstanding were 779 million.

Net operating revenue in the fiscal second quarter 2008 was \$1.5 billion. Strong contributions were made by service fees, data processing fees, and international transaction fees as payment volumes and processed transactions rose across all regions worldwide.

Visa Inc. reports operational performance data on a trailing one quarter basis, based on information provided to the company from client financial institutions. This operational performance data, which includes payments volume for our clients, total volume, total payments transactions, and total cards carrying Visa brands, are in part the basis for financial results in the following quarter. For the period ending December 31, 2007, which impacts the March 2008 fiscal quarter, Visa's operational performance highlights include:

- Payments volume grew 19% over the prior year to \$681 billion;
- Total volume, inclusive of cash volume was \$1.1 trillion, an increase of 21% over the prior year;
- Total cards carrying the Visa brands rose 16% worldwide to 1.6 billion over the prior year; and
- Total payment transactions increased by 16% over the prior year to 11 billion.

Total processed transactions, which are based on current fiscal second quarter results on Visa's processing system, were 8.8 billion, a 15% increase over the prior year. (Source: *Visa Inc., May 2008*)

## **American Express revenues rise on higher Card-member spending**

American Express Company (NYSE: AXP) today reported first-quarter income from continuing operations of \$974 million, down 11 percent from \$1.1 billion a year ago. Diluted earnings per share from continuing operations were \$0.84, down 7 percent from \$0.90 a year ago.

Net income totaled \$991 million for the quarter, down 6 percent from a year ago. On a per-share basis, net income was \$0.85, down 2 percent from \$0.87 a year ago. Consolidated revenues net of interest expense rose 11 percent to \$7.2 billion, up from \$6.5 billion a year ago. Consolidated expenses totaled \$4.6 billion, up 14 percent from \$4.0 billion a year ago.

The Company's return on equity (ROE) was 35.9 percent, down from 36.6 percent a year ago. In the year-ago quarter, results from continuing operations included an \$80 million (\$50 million after-tax) gain related to a new accounting standard for retained interest in securitized loans and a \$63 million (\$39 million after-tax) gain from amendments to the Company's U.S. pension plans. The year-ago quarter also included \$32 million (\$21 million after-tax) of reengineering costs compared to \$10 million (\$7 million after-tax) in the current period. (Source: *American Express, April 2008*)

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