



Card Academy

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ISSUE # 10, June 2008

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Latest news from Card Academy

Please visit our website for further information

The Card Academy website has now been launched with more detailed information on how we can support you in your business.

Please visit www.card-academy.com

for further information on:

- Your local Card Academy
- Card Academy Modules
- Your Mentoring Plan

The Card Academy Bulletin is our electronic newsletter issued every second week. For further information on any of the items contained within the bulletin, please contact us on globalinfo@card-academy.com .

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Yours sincerely,

Kurt Andersen

Managing Director, Card Academy

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The Nordic and Baltic States news

Terra-Gruppen to move 600,000 cards to BBS, Norway

BBS and Terra-Gruppen have signed a long-term contract on Operations, Production and Management of all Debit cards issued by Terra-Gruppen in Norway.

As a consequence close to 80 individual banks – all members of Terra-Gruppen – will move all their Debit cards to BBS. These banks will through this agreement have access to Card Management Services from BBS – on Debit cards as well as Credit cards.

BBS has developed a new Card Management platform which will improve time-to-market for these issuers as and when they want to launch new products.

According to Hans-Petter Bredesen, BBS this is part of their long-term strategy in the area of Card Management services. (Source: BBS, June 2008)

It's now easier to spend your money at SuperBest retail stores in Denmark

Whether you have MasterCard, American Express or any other international payment card, you can use it at your local SuperBest. This is good news for the more than two million Danes who currently have an international payment card. They can look forward to great freedom of choice and no fees when they pay for groceries at SuperBest.

As part of our ongoing work on good customer service, SuperBest will accept international payment cards in the future. As early as from Monday 16 June, payment will be accepted by MasterCard, VISA and American Express in all of our 200-plus SuperBest stores throughout the country. This is the result of a new agreement between SuperBest and PBS.

This agreement also makes it possible for SuperBest's customers to use Maestro and Visa Electron and the cards that a number of organisations have issued in cooperation with card providers – e.g. the LO Card, the FDM Card and the LIC Card.

"We are continually working towards making it easier to shop at SuperBest. And we know that many of our customers want to use their international payment cards. That is why we are now giving them the option of paying with the card they prefer at all our stores", says Frank Sørensen, CEO of SuperBest. PBS estimates that there are more than two million international cards in Danish households. This means that the number of international cards has doubled in just three years.

"More and more Danes are getting an international payment card. But many people have found that they could not use them when they came to pay for their everyday purchases. With the new agreement, this obstacle has been removed for SuperBest's customers," says Lars Fruergaard, Sales Manager at PBS A/S.

Tourists and anyone else with cards issued abroad may face a fee of three percent. It is the individual SuperBest merchant who will decide whether or not to charge a fee. (Source: PBS, June 2008)

Danske's Finnish IT woes have little impact on market shares

Danske Bank's Finnish arm Sampo continues to lose customers as a result of this spring's IT fiasco, with its top competitors telling the Finnish News Agency that they have snapped up some 30,000 former Sampo customers.

However, as the biggest retail banks have upwards of a million customers each, a 30,000-customer shift does not have a marked impact on market shares. (Source: STT Finland, June 2008)



Europe & World Wide news

Smart Card Alliance offers Online Smart Card Training

Smart cards are now being used globally in financial, healthcare, identity, security, transportation and telecommunications applications. It's important to be grounded in the basic fundamentals of this emerging and evolving technology.

The online Fundamentals of Smart Card Technology course provides a thorough overview of the state of the smart card industry, the basic components of smart card technology and the applications used throughout the global marketplace. The course covers a broad array of topics from why people are moving to smart cards to how the basic structure of smart card architecture is formed and utilized.

Based on the successful Smart Card Alliance Educational Institute classes, this course consists of nine modules and takes approximately six hours to complete. Users can enter and exit the course at will and always return to the last viewed page. Topics include:

- Module One: Introduction to Smart Card Technology
- Module Two: Smart Card Security
- Module Three: Contactless Smart Card Technology
- Module Four: Access Control Applications
- Module Five: Biometrics
- Module Six: Public Key Infrastructure
- Module Seven: Smart Card Financial Applications
- Module Eight: Card Issuance and Personalization
- Module Nine: Smart Card Implementation

The online training course costs US\$99 per user.

(Source: Smart Card Alliance, June 2008)

Fingertip Biometric Payment Pilot Begins In Netherlands

For a period of six months, customers of Albert Heijn will be able to pay for their shopping using their fingertips. The objective of the pilot is to investigate the potential of this technology as a new payment method and establish whether it is received positively by consumers. This is the first pilot of its kind in the Netherlands. It will last six months, after which an evaluation will take place.

Tip2Pay enables consumers to pay quickly and securely by placing their fingertip on the reader at the checkout. After they have provided proof of identification and a debit card, a scan will be made of the unique parts of their fingertip. Their name and address details, bank account number and - if required - their customer loyalty card will be registered in accordance with Netherlands privacy laws. Equens will process all fingertip payments.

This pilot is in line with the innovation policy of both Equens and Albert Heijn. Equens General Manager for New Business, Dave Rietveld: "Recent developments in technology facilitate new and improved payment methods. Equens therefore operates an innovative policy geared towards the development of new payment products based on market requirements." In addition to this pilot, Equens is currently also developing solutions such as mobile payments and electronic invoicing or 'e-invoicing'. Albert Heijn is currently also testing a variety of innovative payment methods at local level. These include mobile payments, mobile scanning and contactless payments. Albert Heijn Innovation Manager, Jan de Heij: "We regularly test new payment concepts among our customers. We only continue their development if they are received with enthusiasm."

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Albert Heijn and Equens will be conducting the pilot in consultation with IT-Werke, a company that specialises in integrating biometric technology in retail and consumer applications. The IT-Werke system has already been successfully tested at the German supermarket chain Edeka, which now offers fingertip payment services at 120 of its stores. (Source: *PaymentsNews*, June 2008)

HSBC and Global Payments form UK card processing JV

HSBC is transferring its card merchant acquiring business in the UK to a joint venture company formed with US transaction processor Global Payments. The new JV will provide payment processing services to clients in the UK and to Internet merchants globally.

Under the terms of the agreement - expected to be completed within two months - Global Payments will pay HSBC \$439 million in cash to acquire a 51% majority stake in the JV, which will be called HSBC Merchant Services. Global Payments will have three seats on the joint venture's board of directors with HSBC holding two.

HSBC will control the remaining 49% and contribute its existing merchant acquiring business in the UK to the joint venture, including the unit's 400 employees. The division provides payment card processing services to over 135,000 merchant outlets in the UK. Global Payments estimates the HSBC unit has a market share of about 15% and generated around \$229 million in revenue in 2007.

Global Payments says the JV will implement initiatives to drive sales, including the targeting of specific merchant segments, improved staff training and the introduction of additional sales force automation tools. The venture will also target Internet business and - due to HSBC's extensive worldwide footprint - will have the capability to provide Internet-based merchant acquiring services in at least 37 countries and 35 currencies, says Global Payments. In the longer term, the new JV will look to take advantage of the single euro payments area (SEPA) and target European business.

"We expect to focus on growing the customer base by providing an expansive range of card payment solutions. Longer-term, with the adoption of the single euro payments area initiatives, we expect to be in an excellent position to provide seamless acquiring services to merchants throughout Europe," says Paul Garcia, chairman, president, and CEO, Global Payments.

HSBC has also agreed to a ten-year marketing alliance and will refer merchant customers to the JV for payment processing services.

Global Payments and HSBC already work together in North America and Asia. In 2005 Global Payments paid the bank \$67.2 million in cash for a 56% interest in a payments processing joint venture covering 10 countries and territories in Asia. (Source: *Finextra*, June 2008)

Unbanked to drive mobile finance - study

More than 41.5 billion financial transactions will be carried out by mobile phone by the end of 2011 as unbanked consumers adopt the technology to access banking services, according to a study by Juniper Research.

Juniper predicts that 612 million mobile phone users will conduct financial transactions with their handsets by 2011, generating over \$587 billion. Annual global mobile banking transactions will soar from 2.7 billion in 2007 to 37 billion by 2011.

The study cites the millions of mobile phone users in developing countries who do not have bank accounts or credit cards as a massive potential market. The remittance and money transfer market will prove particularly popular, although Juniper warns providers that issues surrounding legislation designed to combat money laundering make it a costly exercise.

The Far East and China will see the biggest adoption, with 250 million mobile phone users conducting financial transactions by 2011. In the developed world, Juniper predicts teenagers who cannot access regular financial services will drive adoption.

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The figures are conservative compared to a report published earlier this year by market research outfit IMS Research which predicted that 884 million users of contactless mobile payments, mobile banking and over the air (OTA) transactions will complete a total 62 billion transactions between them in 2012. (Source: *Finextra*, June 2008)

Mobile to become 'fourth channel' for retailers

Mobile phones are becoming a major purchasing channel for consumers and represent a huge opportunity for e-tailers to capture new revenue, according to research from Cisco Systems.

With 3.3 billion mobile-phone subscribers worldwide, compared to only 1.3 billion Internet users, Cisco argues that handsets will soon be the "fourth channel" for retailers, taking their place alongside physical stores, Web sites and catalogues.

In a survey of 45 North American and European retailers, Cisco found 42% already provide the ability to view products on mobile devices. But only 15% offer the ability to conduct transactions, while 10% use SMS text messaging to provide customers with information and six per cent have Web pages and a URL specifically designed for mobile use.

Dick Cantwell, VP, retail/CPG practice, Cisco Internet Business Solutions Group, says multi-channel retailing has morphed into a Web of shopper touchpoints across stores, catalogues, mobile devices and the Internet. But he says retailers must start offering shoppers an "interconnected shop" if they are to take advantage of the mobile opportunity.

Cisco says e-retailer Amazon out-ranks other retailers by letting consumers conduct transaction on mobile devices.

Earlier this year Amazon launched TextBuyIt in the US, which enables customers to use text messaging, to find products and make purchases using their mobile phones. To find a product, US customers send a text message to the retailer citing the name of the item or a UPC or ISBN code. Amazon then replies within seconds with details and prices of products matching the search query.

Cisco says the rise in social networking is also re-defining the online experience for customers and providing new revenue opportunities for retailers. A study of e-commerce sites found 52% already provide customer reviews for products and 50% have "advanced visualisation tools". Around half also provide multimedia such as video and 50% offer customer support through multiple channels, such as click-to-chat. Currently, only 17% provide the capability for users to connect to communities of interest.

(Source: *Finextra*, June 2008)

Branded Gift Cards are the Preferred Gift Among Family and Friends

The Network Branded Prepaid Card Association (NBPCA) has announced that "a recent survey of 8,234 consumer's uncovered high levels of enjoyment and personal connection to the branded gift cards experience."

The survey, commissioned by the Network Branded Prepaid Card Association (NBPCA), a non-profit, inter-industry trade association created to advance the success of branded prepaid cards, and conducted by Professor Dan Horne, Providence College, suggests branded gift cards (cards with an American Express, Discover, MasterCard or Visa logo) have crossed the threshold from an impersonal gift to one that is preferred by recipients and shared among close friends and family members in high numbers.

"Branded gift cards are no longer thought of as a 'convenience' or 'utility' gift as recipients express high levels of emotional value from receiving the cards," said Professor Horne. "People prefer the experience of receiving a branded gift card to receiving cash or traditional gifts. They fantasize about what they will buy and enjoy the freedom to treat themselves to something they pick out."

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The study surveyed more than 8,000 gift card recipients (2,300 had received a branded gift card) and asked them about their experiences with gift cards during the 2007 holiday season. It is the largest and most comprehensive study to-date that explains why branded gift cards are such welcome gifts. The survey results (released today) can be found on the NBPCA website at www.nbPCA.com. (Source: *PaymentsNews, June 2008*)

Scheme news

Visa's innovative PIN Card pilot brings step change to tackling CNP fraud

Visa Europe has shown itself once again to be at the vanguard of technological innovation with the launch of a pilot for its new 'Visa PIN Card' – a powerful and stylish solution to the growing challenge of card-not-present (CNP) fraud.

Developed in conjunction with EMUE Technologies Pty Ltd, the Visa PIN Card represents a major breakthrough in fraud prevention techniques. At first glance like a conventional credit or debit card, it combines a debit or credit chip with technology that generates a secure one-time-only code displayed to the cardholder via an integrated eight-digit alpha-numeric screen. Not only is it extremely user-friendly to operate, it has a built-in battery designed to last for at least three years. As a result it offers issuers with a completely secure solution to better authenticate online transactions while giving cardholders ultimate peace of mind when shopping over the telephone or internet without the need for a separate device.

Comments Peter Ayliffe, Visa Europe President and CEO: "As e-commerce continues to flourish, we and the rest of the payment industry must find ever more sophisticated ways to combat the work of criminals who, owing to the effectiveness of Chip and PIN at Point-of-Sale are now turning their attention to the CNP environment.

"In recent years Visa Europe has been leading the way in addressing these threats with initiatives such as CVV2 and Verified by Visa. Our latest venture - the Visa PIN Card - is undoubtedly another powerful solution to add. By combining the technology necessary to create one-time only codes with a standard chip card we are giving cardholders a truly user-friendly experience and offering issuing banks an unrivalled method of ensuring the integrity of all types of remote transactions – remote banking, online and telephone banking as well as fund transfer requests."

The Visa PIN Card works by proving that the valid cardholder made the transaction as only he/she has the card in their possession and only he/she should know their PIN.

The process of validating the transaction is done in 3 simple steps:

1. When making a CNP transaction or logging in to an online banking service, the cardholder activates the authentication process by pressing the appropriate option button on the card's keypad
2. When prompted the cardholder inputs his/her standard PIN
3. A unique one-time-only code appears on the card's display panel, which is then used by the cardholder to authenticate the transaction

Concludes Peter Ayliffe: "The Visa PIN Card is a truly innovative solution which we believe will appeal to cardholders and card issuers alike. For issuers participating in this pilot it will be a great way to show their commitment to security and to differentiate themselves from their competitors. Cardholders are sure to love its convenience and simplicity as they are able to make all their online transactions with even greater confidence." (Source: *Visa Europe, June 2008*)

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Discover seeks \$6bn from MasterCard and Visa in antitrust case

Discover Financial Services is seeking \$6 billion in damages in a long running anti-trust lawsuit that accuses credit card rivals MasterCard and Visa of blocking its access to the bank-issued card market in the US.

The 2004 suit alleges anti-competitive business practices by MasterCard and Visa that effectively locked Discover out of the bank-issued card business in the US.

According to press reports the \$6 billion claim was cited in legal papers that had been kept confidential but were unsealed in a court earlier this week.

MasterCard and Visa both dispute the claim for damages, which could potentially be tripled at a trial set for September in New York.

San Francisco-based Visa told reporters that the damages sought by Discover are "dramatically overstated", while MasterCard said Discover's claim is "baseless".

Discover and American Express both filed suit in 2004 after the US Supreme Court upheld a lower court ruling that found Visa and MasterCard violated antitrust laws by banning their member banks from issuing cards from rival firms.

Last November Visa agreed to pay American Express up to \$2.25 billion to settle its case. However American Express is still seeking damages from MasterCard. (Source: *Finextra*, June 2008)

MasterCard Europe suspends cross-border interchange fees

MasterCard is suspending the interchange fees it charges for cross-border credit and debit transactions in Europe in order to comply with an EC ruling and avoid heavy daily penalties.

The European Commission (EC) said last December that the multilateral interchange fees (MIF) charged for cross-border transactions made with MasterCard and Maestro debit and credit cards violated EC Treaty regulations.

MasterCard was given until 21 June 2008 to withdraw the fees or incur daily penalty payments of 3.5% of its daily global turnover in the preceding business year.

"We said in December that although we strongly disagree with the European Commission's decision, we would comply with it," says Javier Perez, president, MasterCard Europe.

MasterCard says the transactions affected by its move "amount to less than five percent of MasterCard Europe volume" and it does not anticipate any significant near-term financial impact.

Although MasterCard is complying with the deadline, it says it is continuing negotiations with the EC about "an interchange fee methodology that the Commission services believe is consistent with the decision".

"Despite our having made several proposals to reduce substantially cross-border consumer interchange fees, we have not yet reached an understanding with the Commission services on future steps," says Perez. "Therefore, in order to ensure our compliance with the decision, we have taken this action while we continue discussions with them." Perez says MasterCard will also continue to "vigorously pursue" its appeal of the decision to the European Court of First Instance, which it filed on 1 March.

In a statement responding to MasterCard's action, EC Competition Commissioner, Neelie Kroes, says: "Irrespective of MasterCard's move to temporarily repeal its cross-border MIF, the Commission will continue to be open to assess any new proposals from MasterCard concerning systems to ensure both efficient payments and a fair share of the benefits for consumers and retailers." (Source: *Finextra*, June 2008)