



# Card Academy

A service available next to your office

ISSUE # 11, July 2008

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

## Items in this issue:

<b>Latest news from Card Academy.....</b>	<b>1</b>
Next issue of Card Academy Bulletin to be launched on 15 <sup>th</sup> August 2008.....	1
Our website is now fully launched.....	1
<b>The Nordic and Baltic States news.....</b>	<b>2</b>
NETS expands business to Estonia by the acquisition of PKK.....	2
PBS teams with Clear2Pay on combined Sepa direct debit and credit transfer service.....	2
DanID behind the next generation of digital signature.....	2
EDB sells Swedish unit to BancTec.....	3
<b>Europe &amp; World Wide news.....</b>	<b>3</b>
European Payments Council teams with telcos on mobile payment initiative.....	3

A Look at London's Oyster Card Success.....	4
2007 Global Payment Smart Cards Market Survey .....	4
Online sales in the European Union to rise by 120 percent until 2010.....	5
Technology community forms Information Card Foundation to simplify secure on-line digital identity.....	5
Lloyds TSB slammed for giving Visa debit cards to kids..	5
<b>Scheme news.....</b>	<b>6</b>
MasterCard pays \$1.8bn to settle American Express suit.....	6
Visa taps Facebook users.....	6
Visa upgrades payWave contactless spec to EMV standard.....	7

## Latest news from Card Academy

### Next issue of Card Academy Bulletin to be launched on 15<sup>th</sup> August 2008

We wish you all a pleasant and enjoyable summer leave 2008 – the next issue of the Card Academy Bulletin will arrive in your mailbox on 15<sup>th</sup> August 2008.

### Our website is now fully launched

Please visit [www.card-academy.com](http://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](mailto:globalinfo@card-academy.com) .

To enjoy your free subscription please go to [www.card-academy.com](http://www.card-academy.com) .

Yours sincerely,

Kurt Andersen

Managing Director, Card Academy



*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.*



## The Nordic and Baltic States news

### **NETS expands business to Estonia by the acquisition of PKK**

The leading processor of card transactions in the Nordic countries - the NETS alliance - expands to the Baltic Region with the acquisition of the national processor in Estonia, PKK. That brings NETS a step closer to the position of becoming a leading European processor of card transactions

NETS announced the acquisition of Pankade Kaardikeskus AS (PKK) which is the national processor of card transactions in Estonia. This enables NETS to offer a broader platform for processing of card transactions both to local card acquirers - but also to regional card acquirers with an international scope looking for a partner, who can deliver integrated international solutions.

"With this expansion in Estonia we enter a new region with exciting opportunities. At the same time we are getting nearer to our target for 2009, which is to have an integrated platform that covers the Nordic region, the Baltic region and also Poland and Germany", says CEO of NETS, Klaus Frandsen.

Optimisation of card transaction processing is a key issue for large merchants and acquirers who in growing numbers source the processing of transactions from specialised companies with international reach like NETS. Handling over 2,7 billion card transactions a year the NETS alliance deliver very competitive and cost efficient solutions.

After the NETS acquisition the day to day operations of PKK will not change. The key business in Estonia will be to continue to service the current owners Hansabank (Swedbank), SEB, Danske Bank A/S Estonian Branch (Sampo Bank). Current CEO Raivo Tinn and his team of about 35 employees will stay on and become central to the further development of PKK/NETS total solutions. (Source: NETS, June 2008)

### **PBS teams with Clear2Pay on combined Sepa direct debit and credit transfer service**

Danish payment body PBS has implemented technology from Brussels-based Clear2Pay to provide its bank and corporate clients with a combined Sepa-compliant direct debit and credit transfer service.

PBS has implemented a platform based on Clear2Pay's Open Payment Framework (OPF), a library of component building blocks the vendor says is built on a service-oriented architecture (SOA).

The Danish outfit said in January that 117 financial institutions had signed up for a direct debit payment processing service. In today's statement PBS says the service is aimed at corporate initiators (creditors) as well as debtor and creditor banks in Denmark and across the European community.

"Although Denmark is currently not in the Euro zone, our customers that do business in the EU-market need to be Sepa-compliant and as the leading payments provider in the region we want to be first to market with Sepa-related services," says Flemming Jensen, CEO of PBS.

"With this solution PBS can offer their clients an end-to-end solution embracing all necessary features such as mandate management, R-transactions etc," adds Mark Hartley, VP strategy and marketing, Clear2Pay. "PBS was looking for strategic enterprise-wide capabilities so that they can easily extend this solution to also embrace Sepa credit transfers. The robust services oriented architecture offers PBS the scalability they were looking for."

Hartley says Sepa-compliant direct debit processing is a volume-based activity that many banks in the EU zone will consider outsourcing to processors such as PBS. (Source: Finextra, June 2008)

### **DanID behind the next generation of digital signature**

DanID A/S was chosen to be the supplier of the public sector's digital signature of the future. By using a one-time password, Danes will be able to gain safe and flexible online access to both private enterprises and public sector service providers.

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.



As early as the end of 2008, the first online bank users will have to key in a four digit one-time password in addition to their username and password when accessing their online bank. This will give people flexible access to their own secure data regardless of where they log on if they have their one-time password device handy.

From the second half of 2009 onwards, DanID will replace the present digital signature in the public sector and thereby give access to the public sector service providers online, such as sundhed.dk (the Danish eHealth Portal) and skat.dk (the Danish tax administration authority). Whenever you want to gain access to private data online, the access procedure is the same.

"We're proud to be able to deliver the solution of the future in the form of secure electronic access for all Danes. PBS is an expert in the secure exchange of information and payments, something which benefits the entire Danish society. With this agreement building a bridge between the financial and the public sector, we have created a common platform for electronic identification which will benefit all Danes," says Flemming L. Jensen, Chairman of the Board at DanID A/S and CEO of PBS A/S.

DanID can be used from any computer with internet access. Before long you will also need to use your DanID in order to access your own online bank. (Source: PBS A/S, June 2008)

## **EDB sells Swedish unit to BancTec**

Nordic IT services group EDB Business Partner is selling its Swedish subsidiary Inndata to US BPO vendor BancTec. Financial terms of the deal were not disclosed.

The sale of Inndata - which represents just part of EDB's Swedish business - will see 50 full-time positions move to BancTec from 1 July.

EDB says the sale of Inndata - which generated annual revenue of SKr30 million in 2007 - will result in an extraordinary asset write-down of around Nkr6 million.

But the vendor says the sale is "is expected to strengthen the business area's profitability with effect from the second half of 2008".

Shares in EDB were halted on the Oslo Bors last Wednesday after the stock fell 12% in mid-day trading. On Thursday the vendor confirmed it had ditched its takeover plans for rival IT firm TietoEnator after its partner US private equity firm Blackstone withdrew from the process. (Source: Finextra, June 2008)

## **Europe & World Wide news**

### **European Payments Council teams with telcos on mobile payment initiative**

The European Payments Council (EPC) says it will work with GSMA - an international trade group of mobile operators - to accelerate the deployment of mobile payment services in the single euro payments area (Sepa).

The EPC - which represents 8000 banks - says the cross-industry cooperation will enable banks to deliver better mobile payments services to customers, supported by the existing mobile infrastructure.

The partners say new mobile services will be facilitated by a so-called 'trusted service manager', an entity that would provide a single point of contact for mobile service providers and which would also manage the distribution, configuration and activation of mobile services on NFC-enabled handsets.

The GSMA says it will initially team with the EPC to define "a contractual framework document detailing the minimum set of requirements for a trusted service manager to interface with banks and mobile operators".

Commenting on the alliance, EPC chairman, Gerard Hartsink, says: "We are convinced that this cross industry cooperation between GSMA and EPC is the best way forward for efficiently enabling the mobile as a channel for initiation of payments in Sepa, and this cooperation model could also be a model for other parts of the world."

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.



The GSMA said last year that 12 telcos around the world will trial NFC-based contactless mobile payment technology as a precursor to the launch of commercial services. The pilots are part of the GSMA's Pay-Buy-Mobile initiative, which aims to develop a global interoperable mobile payments system.

In a statement, the GSMA says seven mobile operators - AT&T, FarEasTone, KTF, Orange, SFR, Softbank and Turkcell - are currently piloting the mobile technology and a further seven plan to begin trials in the near future. (Source: *Finextra*, July 2008)

## **A Look at London's Oyster Card Success**

The Oyster Card in London - a contactless card operated by Transport for London (TfL) to allow everyone to travel across the London public transport system without using cash. It's basically a prepaid contactless card, like the Octopus Card in Hong Kong or the New York Subway Card.

Oyster was launched in 2003, and please find a few statistics from Transport for London (TfL):

- 70% of all rail journeys in the UK start or finish in London, and TfL operates 8,000 buses and 278 bus and rail stations, rising to 500 stations by 2010;
- these stations and services are used by 6 million bus passengers and 3.4 million on the trains and underground every day;
- 80% of these customers use an Oystercard for these journeys, and there are over 18 million Oystercards issued;
- Oystercard is accepted by 4,000 retail outlets, mainly newsagents, with 20,000 Oystercard readers deployed across the network; and
- the readers read and write over 10 million contactless taps per day.

This makes Oystercard the largest contactless card programme in Europe and, possibly, the world. The Octopus system in Hong Kong is the most mature of these subway systems with twice as many people using the card as live in Hong Kong, generating over US\$12 million per day in transactions.

All 20,000 readers will be upgraded by 2010 to accept NFC MIFARE chip-based Oyster Cards, EMV and EMV-variant cards, and ITSO cards (Integrated Transport Smartcard Organisation).

The benefits of the programme are multiple in terms of streamlining travel, reducing queues, minimizing cash handling, reducing the possibility of fraud by customers and cash theft by staff, and generally improving the customer experience. Having said that, the biggest benefit is the £60 million reduction in annual operating costs for TfL of the ticketing system since implementing the Oystercard. This includes the interest earned on prepaid monies sitting on the float.

Therefore, there is a critical strategy to increase the card usage by the extensions of working with Visa PayWave and MasterCard PayPass, the NFC standards committees, and by collaborating with organisations such as Barclaycard, O2 (the mobile carrier) and other partners.

The challenge the Oyster spokesperson left us with at the end, is that they are upgrading the readers to read and write EMV for payments cards and NFC for mobile services for the unbanked. What Oyster would like to see is that EMV incorporate NFC standards or vice versa to make this easier. (Source: *PaymentsNews*, June 2008)

## **2007 Global Payment Smart Cards Market Survey**

The Smart Payment Association has announced results of its 2007 global payment cards market survey finding that more than 420 million payment smart cards were delivered by SPA members, a 24% growth year over year (2007 vs. 2006), both dual interface and pure contactless grew 64% year over year, with the fastest growing region being the Americas with a 45% growth year over year.

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.



"The results of the 2007 global payment cards market survey show a clear trend: the move of financial institutions towards innovative and more secure cards," said Christoph Siegelin, president of the Smart Payment Association. "The dramatic acceleration of the switch to more secure Dynamic Data Authentication (DDA) EMV cards and the fast adoption of contactless smart cards for their speed and simplicity in handling low-value payments illustrate this trend."

The detailed figures of the Smart Payment Association 2007 market monitoring are only available to its contributing members.

The Smart Payment Association (SPA) members are Gemalto, Giesecke & Devrient, Oberthur Technologies and Sagem Orga. The Association carries out projects to advance interoperability as well as develop additional smart payment solutions, which would be difficult to achieve without the concentration of such industrial knowledge. (Source: *Payments News*, June 2008)

## **Online sales in the European Union to rise by 120 percent until 2010**

Online sales in the European Union (EU) are expected to rise by 120 percent by 2010, compared to the annual sales of 2007. In the 15 old EU states plus Switzerland and Norway, 2007 online sales increased 40 percent year-on-year reaching EUR 124 billion.

UK represents the biggest online sales market, with annual sales in 2007 of over EUR 37 billion. The German market comes in second, but researchers predict it will grow to EUR 51.3 billion by 2010. Globally, the US remains the leading player, with online sales of more than EUR 95 billion in 2007, while China is expected to overcome the US by 2010 with exchanges of over EUR 180 billion. Researchers predict global online sales revenues of almost EUR 740 billion by 2010.

Online supermarket purchases in France concern only 3 percent of internet users, while in Britain 16 percent of internet users make supermarket purchases online.

Researchers say online sales in the EU are growing fast, mainly due to social networking website, whose users are more inclined to visit eCommerce websites. Websites such as Facebook or MySpace attracted over 114 million adult visitors in June 2007 alone. According to the report, the next step for social networks is to transform their visitors in potential buyers. Another factor taken into consideration by the researchers is the creation of tridimensional e-market in the online game 'Second Life'. The 3D online sales market has the potential to become 'massive' since Google, Microsoft, Sun and IBM are starting to invest massively in 3D e-markets, the report concludes.

The report is titled DigiWorld Yearbook 008 and it is produced by Idate. (Source: *ePaymentsNews*, June 2008).

## **Technology community forms Information Card Foundation to simplify secure on-line digital identity**

Led by Equifax, Goggle, Microsoft, Novell, Oracle and PayPal plus nine leaders in the technology community, the group established the Information Card Foundation (ICF) to promote the rapid build-out and adoption of Internet-enabled digital identities using Information Cards.

Information Cards take a familiar off-line consumer behaviour – using card to prove identity and provide information – and bring it to the online world. Information Cards are visual representation of a personal digital identity which can be shared with online entities. Consumers are able to manage the information on their cards, have multiple cards with different levels of details, and easily select the card they want to use for any given interaction.

For further information please visit [www.informationcard.net](http://www.informationcard.net) . (Source: *PaymentsNews*, June 2008)

## **Lloyds TSB slammed for giving Visa debit cards to kids**

UK high street bank Lloyds TSB has come under fire for issuing Visa debit cards to children as young as 11 without seeking parental consent.

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.



Current account holders aged between 11 and 15 have been sent Visa debit cards that can be used to pay for purchases over the Internet. Previously, younger customers could only use their cards to make withdrawals at ATMs and in branches.

But Lloyds TSB has been slammed for the move following reports that the father of a 15 year old boy complained to the bank after his son used the Visa debit card to buy Viagra, cigarettes and a fake ID over the Internet.

In a statement Lloyds TSB says offering customers under 16 Visa cards is in line with "industry practice". The bank also stresses the cards do not let users go overdrawn or make purchases on "Web sites with adult content or gambling sites".

The bank also claims that it involved parents when it initially approached younger customers with the offer of a debit card.

"When we wrote to these customers we involved parents; including parental guides in initial correspondence and when the card arrives. The parent or guardian could request the card wasn't issued or at any time block it immediately if it is mis-used," says the bank's statement.

On its Web site Lloyds TSB actively promotes the benefits of children having a Visa debit card "to pay for things in shops and online". (Source: *Finextra*, June 2008)

## Scheme news

### **MasterCard pays \$1.8bn to settle American Express suit**

MasterCard has agreed to pay rival card operator American Express up to \$1.8 billion to settle a lawsuit filed in 2004 that accused it of blocking access to the bank-issued card market in the US.

The suit, which was filed against Visa, MasterCard and eight major banks in November 2004, sought damages for business lost as a result of alleged anti-competitive business practices. At the time American Express said those practices had effectively locked it out of the bank-issued card business in the US.

MasterCard says beginning in Q3 2008 it will make 12 quarterly payments of \$150 million, contingent upon the performance of American Express's US global network services business. MasterCard will take a \$1 billion charge in the second quarter.

Explaining the decision to settle, Robert Selander, president and CEO, MasterCard, says: "Eliminating the uncertainty, time commitment, and expense of a prolonged court case is in the best interest of our shareholders, our customers and our management team."

Visa agreed to settle with American Express for up to \$2.25 billion last November, leaving MasterCard as the sole defendant in the case. American Express, says the combined settlement of over \$4 billion - the largest in US history - will help it survive the tough current economic conditions.

"Business conditions continue to weaken in the US and so far this month we have seen credit indicators deteriorate beyond our expectations," says Kenneth Chenault, chairman and CEO, American Express. "While it is too early to assess the impact of these indicators, the antitrust settlement we've reached with MasterCard provides us with a multi-year source of funds that should, among other things, help to lessen the impact of this weakening economic cycle and, when conditions improve, give us the ability to step up investments in the business." (Source: *Finextra*, June 2008)

### **Visa taps Facebook users**

Card network Visa has launched a social networking application for small business owners on Facebook and is paying \$2 million to advertise the service on the site.

The Visa Business Network, which has been designed specifically for Facebook, is billed as a one-stop resource for small business owners. Visa says the application has been developed to enable small

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.



businesses to connect and network with other companies, manage their operations more effectively and target new business.

Visa says it will give \$100 in advertising credits to the first 20,000 US small businesses that download the application via Facebook.

"Visa is breaking new ground by harnessing social networking to connect business owners. We are putting the power of the network in the users' hands, and it will be fascinating to see how the community evolves," says Antonio Lucio, chief marketing officer, Visa.

Visa says the new site will help small business owners tap into a global network of peers and advisers from among the 80,000 small businesses already on Facebook. It will provide company owners with business applications and advice on identifying and targeting prospective customers. The site will also include tools provided by Google, including maps and calendars.

Visa is the latest in a number of financial services firms that have launched applications on the social networking site. In May European online payments outfit Moneybookers has launched an application that enables account holders to send and receive money via their Facebook profile.

Earlier this year online investment club Cake Financial opened for business on Facebook, offering users the opportunity to track and share investment portfolios and trading activity with their social network.

Person-to-person lending platforms Prosper and Lending Club have also tapped Facebook to target potential customers. (Source: *Finextra*, June 2008)

## **Visa upgrades payWave contactless spec to EMV standard**

Card network Visa is migrating its payWave contactless payments platform to a global specification that is based on the international EMV standard.

Visa says its new global spec, called Visa Contactless 2.0, will ensure customers can use their contactless cards worldwide, while still providing issuers with the flexibility to customise programmes to meet local market needs.

The new spec also provides additional security options and enhanced performance for faster processing of PayWave transactions.

"Visa has developed a global contactless platform built on the experience of implementing programs in multiple countries and regions," says Elizabeth Buse, global head of product at Visa Inc. "This new specification will allow card issuers and vendors globally to implement contactless solutions that are globally interoperable while also providing advanced EMV-based security."

The spec also supports all payment platforms - credit, debit and prepaid - and can be embedded in mobile devices, says the card network.

Visa first published a contactless specification in 2002, primarily to focus on local market implementations and requirements. Following numerous trials and commercial programmes around the world, the card scheme has updated the specification to provide an effective roadmap for financial institutions and vendors to move to interoperable programmes.

Visa says the specification provides flexibility by allowing issuers to choose the options and features that best meet their local market needs while ensuring global interoperability.

In February last year Japanese card issuer JCB said it would use Visa Asia Pacific's contactless specification in a bid to increase acceptance of its J/Speedy contactless cards at merchant locations outside of Japan. (Source: *Finextra*, July 2008)