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## Latest news from Card Academy

### Card Academy Modules

“Play the Cards” is one of our Card Academy Modules. Through this module participants are given the opportunity to “Play the Cards”, using a simulation model that allows them to try different scenarios – and compete with local colleagues. This module will focus on how to run your Credit cards business in a profitable way.

This course can be customized to meet the needs of new employees as well as staff who have spent a couple of years within this cards business.

Please feel free to contact us on [globalinfo@card-academy.com](mailto:globalinfo@card-academy.com) or on +45 21 29 68 40 for further information.

### Join Card Academy on LinkedIn

Card Academy is now present on LinkedIn Groups – search for “Groups” and “Card Academy”, or use <http://www.linkedin.com/e/gis/774127> which will take you directly to the Card Academy group.



More than 100 Payment Professionals have signed up already within the first week from launch, and we will do our very best to make this group as interactive as possible.

So far more than 60% of all members are from the Nordics and Baltic States – and in total 18 different countries are represented.

Yours sincerely,

Kurt Andersen

Managing Director, Card Academy



## The Nordic and Baltic States news

### **Norwegians embrace mobile banking - EDB**

Mobile banking is taking off in Norway, with usage in July up 50% compared to the average over the first five months of the year, according to figures from IT services provider EDB Business Partner.

EDB - which claims to supply mobile banking technology to the majority of Norwegian banks - says between five per cent and seven per cent of customers of banks that offer mobile services are using them.

Commenting on the jump in use of m-banking services during July, Ann Merethe Sommerseth, head, mobile banking, EDB, says: "Many people are out and about and travelling during the holiday months, so they do not have access to a PC or their normal Internet banking service, but their bills need paying just the same. This is no longer a problem thanks to mobile banking, and this summer saw a lot of people realise just how useful the new services that mobile banking offers can be."

The most popular m-banking features are balance checks, recent transaction history and fund transfers between accounts.

Sommerseth says like with Internet banking, there will be a rapid take-up of mobile services over the next few years.

"Over the next three to four years we expect to see the majority of banking customers start to make use of mobile banking as an addition to their Internet banking service," says Sommerseth.

Online banking in Norway is now almost universal, with nearly the entire adult population - about four million people - now using it, according to figures released earlier this year from EDB. (Source: *Finextra, September 2008*)

### **SEB Latvia starts to issue cards with individual design - Card of your style.**

Card of Your Style is a VISA payment card that offers all the features of a regular payment card, and it is possible to get it as a debit card or a credit card. But most important – it is made to highlight your individuality, because you can design it yourself, besides – only as you see it – in your style!

- Get Card of Your Style as a debit card or credit card and enjoy the following advantages:
- Pay for purchases in Latvia, abroad, and on the Internet;
- Rent cars and book flights and hotels;
- Choose LVL, USD, EUR as the main currency of your account;
- Withdraw cash at all ATMs that have the logo of VISA.

If you get a Card of Your Style, you can select the type of credit limit repayment and receive travel insurance. If you get a Card of Your Style, you will receive accident insurance upon special conditions. (Source: *SEB website Latvia, September 2008*)

### **SEB signs card services agreement with EDB in Sweden**

SEB Kort and EDB's subsidiary CEKAB have entered into an agreement for the supply of card services for SEB Kort's activities in Sweden. The agreement means that CEKAB will continue to be responsible for processing all card transactions carried out through payment terminals used by SEB's customers in Sweden. The agreement is an extension of an existing contract, and runs for two years with total contract value of SEK 20 million.

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"CEKAB fully recognizes the importance of ensuring the highest quality of service and availability for the services it offers. CEKAB has provided its services to SEB for over 10 years. We are very proud that the bank has chosen to renew its contract for a further two years, and we see this as confirmation of the continuing quality of the service we deliver. In addition, we are now focusing on how we can help our customers with processing transactions in countries outside Sweden", comments Eva Menzing, Managing Director of CEKAB.

CEKAB is one of the leading players in the Nordic card services market. EDB and CEKAB's strategy is to follow its customers' business throughout the Nordic region, the Baltic states and the rest of Europe.

"We have had contracts with both CEKAB and EDB for card authorisation and capture of card transactions for many years, and our experience of both companies has been good. We are now able to bring these services together from a single supplier", explains Christina Larsson, business area manager of Euroline, the acquiring arm of SEB Kort. (Source: EDB, August 2008)

## Europe & World Wide news

### EC moves to kick start Sepa direct debit scheme

EU authorities have called on banks to push ahead with plans to introduce pan-European direct debit payments system, even if interchange fees are initially charged for cross-border transactions.

In a statement the European Commission (EC) and the European Central Bank (ECB) say they have indicated to the European Payments Council (EPC) that they would be prepared to support the idea of a multilateral interchange fee on condition that the charges were "objectively justified and transitional".

In order for Sepa direct debit to take off "the right incentives should be in place", so interchange fees can be applied for Sepa direct debit transactions "during a limited and well defined transitional phase", says the EC and ECB. After this transitional phase all multilateral interchange fees would be scrapped.

The move - which is at odds with the EC's previous statements on interchange fees - highlights serious concerns about the delay in rolling out cross-border direct debit system in the single euro payments area.

Europe's banks missed the first Sepa deadline for direct debits due in part to delays in passing a new Payment Services Directive (PSD). Now ECB executive board member Gertrude Tumpel-Gugerell says it would "not be acceptable that bankers are not able to deliver the Sepa direct debits by a November 2009 deadline.

"A European solution has to be found by the banks which are also agreeable to the competition authorities. But Sepa direct debits have to be rolled out in a little more than one year from now," states Tumpel-Gugerell. "In this respect, the idea of maintaining at national level the same interchange fee for national legacy and Sepa schemes during a limited transitional phase should facilitate the rolling out of the Sepa direct debit scheme. This would also ensure the necessary level playing-field in the national context for the Sepa direct debit scheme and the national legacy direct debit schemes."

However the move does appear to back-track on moves by Competition Commissioner Neelie Kroes to crack down on the non-negotiable interchange fees that banks and card companies charge for cross-border card transactions.

"It may prove necessary to have a multilateral interchange fee for cross border Sepa direct debits in the very initial stage," says Kroes in the statement. "But we will have to be convinced that these fees will be strictly limited in time and objectively justified, i.e. are not aimed at providing additional profits to banks." (Source: Finextra, September 2008)



## **Octopus, China UnionPay cooperate for prepaid card**

China Unionpay (CUP) has teamed with Hong Kong's Octopus Cards, the operator of the Octopus rechargeable contactless smart card, to issue a prepaid card with Octopus and CUP functionality in China. Octopus Cards and CUO have signed a Memorandum of Understanding in July setting out a framework for cooperation.

The two companies will collaborate to study the feasibility of prepaid card issuance in Hong Kong, including the exchange of information and experience in areas such as technical support and business and operation models. CUP will also provide support for Octopus to expand the acceptance of Octopus in China.

Hong Kong's Octopus smartcard payment system was launched in 1997 and has over 2,000 service providers across different businesses including public transport, parking, retail, vending and kiosks, schools and leisure facilities, and access control for residential and commercial buildings, with over 50,000 Octopus readers deployed in the market. Over 17 million Octopus cards and products are now in circulation and the Octopus system handles over 10 million transactions a day, with transaction value exceeding HKD 85 million. (Source: *EPaymentsNews*, September 2008)

## **Dundee council teams with sQuid on pre-paid contactless card**

E-money start-up sQuidcard has struck a deal with the Scottish National Entitlement Card (NEC) programme and council authorities in Dundee to provide residents with pre-paid contactless cards.

The NEC programme is designed to offer Scots access to council facilities such as libraries, schools, taxis and leisure through a single card. The card can also be used on public transport as well as to access thousands of rewards and discounts.

Dundee City Council is a participant in the NEC programme and 38,000 cards are already in use in the city with more expected to be issued.

Following the Squid tie-up, users in Dundee will also be able to load the cards with money and make purchases of under £10 in retail stores by tapping them against specially equipped terminals.

Sid Bulloch, manager, NEC programme, says: "With our agreement with sQuid we have added a new dimension to our service, and we can expect to see more cards in the future. The addition of a simple, effective eMoney purse is really useful to citizens, young and old, enabling them to pay quickly and conveniently for small items."

Adam Smith, MD, sQuid, adds: "For the consumer, sQuid is available to anyone, and does not require a bank account. It complements the philosophy of the Entitlement Card being open to all".

The Dundee tie-up follows a similar deal struck last year between sQuid and council authorities in Bolton, in the North West of England, to offer access to leisure and library services through contactless cards.

In February the cards were used to trial an Oyster-style pre-paid contactless transit system in Bolton, with residents able to use the stored value cards for bus journeys operated by Arriva Manchester. (Source: *Finextra*, September 2008)

## **Deutsche Postbank and Shell join forces for improved debit card availability**

German retail bank network Deutsche Postbank, a subsidiary of German postal, logistics and courier service provider Deutsche Post, has teamed up with energy and petrochemicals global group Royal Dutch Shell in order to allow Deutsche Postbank's customers to use their debit cards for purchases and cash withdrawals in over 1,300 Shell fuel stations all over Germany.

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Through this agreement, which enters into force in mid-2009, Deutsche Postbank aims to ensure its five million debit cardholders improved access to their cash across Germany. The debit card transactions will be based on cash recycling technology and will double the functionality of Shell cash boxes by adding a supplementary teller machine function. The cash boxes will also be employed to store payments made by customers. (Source: *EPaymentNews*, September 2008)

## **Cardsave chooses the NETELLER Payment Suite for 28,000 Businesses**

The NETELLER Group (LSE: NLR), the independent global online payments business, has announced it has signed a contract and started the implementation to provide online payment services through the NETELLER Payment Suite for Cardsave, one of the UK's leading providers of financial and business services for independent retailers with over 28,000 member companies.

The NETELLER Payment Suite features the NETBANX international payments gateway, the NETELLER e-wallet and Net+™ cards. NETBANX allows merchants to accept card and non-card payments through multiple channels including online, contact centres, mail order and via automated phone systems. The NETELLER e-wallet allows consumers to spend securely online as well as allowing merchants to increase customer lifetime value. Net+ cards allow merchants extend customer loyalty and lifetimes.

Payment via the hosted payment suite is quick and easy and allows merchants of any size to take payments online via credit and debit cards or direct debit. The service also accommodates non-card payment types specific to particular countries, such as the giropay system used in Germany or iDEAL service in the Netherlands. This means that even the smallest UK business can now open their doors to world-wide markets. More information about the NETELLER Payment Suite can be found at [www.neteller-group.com/campaign/products.html](http://www.neteller-group.com/campaign/products.html).

Clive Kahn, CEO of Cardsave, said "Through this relationship with the NETELLER Group, Cardsave has again shown its commitment to bringing leading and innovative products to our members. The NETELLER Payment Suite is the best solution to remove the barriers for UK companies to compete with other retailers online - both inside and outside the UK."

Ron Martin, President and Chief Executive Officer of NETELLER, said "Our services help drive merchant success through innovation, simplicity and value. The Cardsave agreement means that the NETELLER Group has significantly extended its distribution and business opportunity for the NETBANX gateway, NETELLER e-wallet and our other services." (Source: *NETELLER*, September 2008)

## **Card activity in Russia**

According to the results of the second semester of the 2008 year more than half of the issued cards in Russia turned out to be inactive, as it was stated by the head of retail payments development department of Central Bank Mr Vadim Kuznetsov. In Central Bank inactive cards are those, which haven't been used for any operation during three months' time.

Russian payment systems have the highest percentage of active cards (60-70%), Mr Vadim Kuznetsov said. In overall, on 1 July domestic banks have issued 14,7 million cards of Russian payment systems (Unified Russian Payment System, "Zolotaya Corona", NCC, etc). On the same date "Zolotaya Corona" had 3,1 million active cards, URPS – 2,8 million.

„According to our estimates the share of active cards in „Zolotaya Corona” is around 70-75%”, explained Mr Vadim Gritsanenko, the Director of "Zolotaya Corona" payment system. It is explained by the lack of postal distribution of credit cards: banks send out by post cards of international payment systems. Cards that were sent out sometimes are not being activated no to mention using them on a continuous basis. "In accordance with my estimates only 20-25% of cards sent out by post are being activated", says the Vice President of Citibank Mr Yuriy Topunov. "Strong growth in international system

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card emission happened when the banks started to send out cards. However, the volume of operations did not grow proportionally”, Mr Gritsanenko remarks.

As reported by the Central Bank, VISA system owns more than 55,2% active cards: 29,3 million cards from 53,1 million issued, MasterCard has 14,5 million active cards (33,4%) from total number of 43,4 million issued. The reason of the noticeable difference in the share of active cards is said to be the distribution of credit cards by post. “If compared by the share of the Russian credit card market, MasterCard is ahead of VISA. Three major players that distribute cards by post (Ruskiy Standard, Home credit, Renaissance capital) generally issue MasterCards credit cards. OTP Bank, which distributes VISA cards, does not possess such a large share of the market”, Mr Topunov explains. “As not all clients activate their cards, it makes it hard to define the exact share of active cards in this payment system”, he summarized.

Credit card holders can be divided into two categories. In the first category there are people who are using their cards regularly or they use them in the framework of available sources on the account, or for small payments on credit, which typically is settled during the grace period, claims the head of representative office of MasterCard in Russia Mr Ilya Ryabiy. In the second category there are people, who have received the card for a large-scale purchase, then made it and after they are paying out the credit, and during that time they don't perform other operations. This type of card becomes inactive, Mr Ryabiy says. According to his estimate, in Russia the major part of clients gets credit cards especially for large purchases. Mr Ryabiy notes that Russians still have to learn to use credit cards for regular payments. (*Source: Ведомости, September 2008*)

## **Russia card growth slows down**

Year after the year Russian banks issue less plastic cards. Increase of the cards issued during the first semester of the 2008 year was only 7,7%, although in the 2007 the increase reached 38,4% while earlier it even exceeded 50%. Market players believe that the boost on the cards market which happened generally as a result of salary projects is over now and further on the market will grow by the means of the credit card issue.

As it was stated by the head of retail payments development of the Bank of Russia Mr Vadim Kuznetsov yesterday, quantity of the bank cards in Russia on 1 July of this year has reached 111,467 million against 103,497 million cards in the beginning of last year. Thus the gain measures 7,7%. If that kind of growth pace remains in the second semester of the year, annual gain will amount at only 15-16%. The trend of the slowdown of the growth in cards issue has been observed during the last three years. During 2007 the amount of the bank's cards growth was 38,4%, and for year 2006 - 36,7%. At the same time the volume of issued cards in Russia for 2005 constituted 55,4%, for year 2004 – 46,3%, for year 2003 – 55,4%.

According to the Central Bank data, on 1 July 2008 the major part of the overall amount of bank cards issued in Russia (80%) belongs to the international payment systems and constitutes 96,778 million cards, whereas the ones issued by Russian payment systems – 16,647 million. 49,6 million of Russian citizens have VISA cards, MasterCards cards belong to 43,3 million of Russian citizens. Russian payment system cards called “Zolotaya Corona” belong to 5,1 million people, and the cards of the Unified Russian payment system (earlier called “Sberkart”) are held by 3,2 million people. At the same time if we compare the systems that have the biggest number of corporate clients, the leaders are VISA with 46,8000 corporate clients and the Unified Russian payment system with 15,8000 corporate clients. Among the clients of MasterCard 14,2000 are corporate bodies, and among the clients of “Zolotaya Corona” these make up 12,000 of all clients.

The overall number of VISA cards issued by the Russian banks equals to 53 million cards and those of MasterCard – 43,35 million. There have been 5,67 million of „Zolotaya Corona” cards issued and 3,2 million Unified Russian payment system cards. As explained by Mr Vadim Kuznetsov, only 28,29 million

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of VISA cards are active. MasterCard has even less active cards– 14,48 million, payment system „Zolotaya Corona” – 3,13 million cards and Unified Russian payment system – 2,76 million cards. Still the citizens use their cards just for cash withdrawal; which makes up 92,6% of all operations.

As it was stated by the head of marketing and retail business department of the MDM bank Anatoly Kraynikov, in the period of time from 2003 to 2006 the amount of cards on the market rose due to salary projects. “These days almost all large and medium-sized enterprises transfer salary payments to bank accounts. In small enterprises the high growth in cards cannot be achieved. Meanwhile salary projects just flow from a bank to a bank, comments Anatoly Kraynikov. “Maybe the boosting growth on the card market has reached its end”. According to the Vice President of the Moscow bank of reconstruction and development Albert Zvezdochkin, the number of cards (11 million) is approaching the size of population in Russia, which is about 145 million people. As Albert Zvezdochkin explains, “People are satiated with the simple banking product – the debit card issued in the framework of salary projects. Only 10% of all cards are credit cards. In future the share of credit cards in the structure of card portfolio will be growing, as for the bank it is a more lucrative and profitable instrument”. (Source: *P&B Daily, September 2008*)

## Scheme news

### **Visa encourages better money skills with new financial education website**

Visa Europe has launched a financial education website called Better Money Skills ([www.bettermoneyskills.com](http://www.bettermoneyskills.com)). This is a new resource for member banks to coach consumers on financial matters and ultimately help encourage responsible spending.

The website's content has been developed with the support and collaboration of the Citizens Advice Bureau.

This follows the successful launch of Visa Inc.'s MoneyChoices website in the USA. Analysis of the site showed that by encouraging indebted customers to use MoneyChoices, member banks saw reduced credit losses and operating costs as well as increased customer retention rates and credit stability. The consumers themselves were also considerably less likely to face the distress of financial problems.

Initially for the UK market, bettermoneyskills.com is managed by Visa who can create and run separate sites for member banks, complete with their own branding. It is aimed at bank customers in the UK, in particular those that are financially distressed, to provide them with guidance, self-test modules and practical tools such as budget and borrowing calculators so they can manage their money better.

The website contains a series of educational modules on topics such as credit, borrowing, saving and common financial problems. It also contains quizzes for consumers to work out their financial personalities and test their knowledge as well as budgeting and debt calculators. In addition, the site includes a reference centre packed with contact details of organisations that offer free advice and a full glossary of financial terms. (Source: *Visa Europe, September 2008*)

### **American Express, Discover Card rank highest in overall US customer satisfaction**

A US study shows American Express and Discover Card rank the highest in overall customer satisfaction among 18 of the largest credit card issuers in the US. The study measures customer satisfaction with credit cards over five key factors, namely customer interaction, billing and payment process, fees and rates, rewards programs, and benefits and services.

American Express and Discover Card were the only credit card companies to perform above the industry average, researchers concluded. American Express' customers are the so called 'transactors' or customers who pay off their bills in full every month. The study reveals Amex focuses on the rewards and benefits of its cardholder experience and it excels in meeting their expectations. Almost 8 out of 10

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transactors select their card because of the value they feel they get from its rewards programs, whereas interest rates have little importance because of transactors' purchasing style.

At the other end of the spectrum in usage patterns are the cardholders of Discover Card, the second highest ranking company. Discover Card users are what the industry calls 'revolvers' who carry a balance forward each month. For 65 percent of revolvers, low interest rates and fees are the main determining factors behind their choice of card. Discover Card has found success by offering its cardholders simplicity, with easy reward redemption, a particularly low incidence of reported problems and no annual fees.

The study reveals that the transactors are more satisfied with their credit cards than revolvers and are twice as likely as to stick with their primary credit card issuer. Although transactors are most interested in rewards programs, 72 percent of all US cardholders participate in some type of reward program. Other study findings show that one quarter of all cardholders don't know if their card offers them additional benefits and one-third haven't used any during the past year. These users have lower satisfaction levels than their better informed counterparts, the study suggests. (*Source: EPaymentsNews, September 2008*)