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Items in this issue:

Latest news from Card Academy.....	1	Card brands, issuers to lose USD 345 million in volume in 2010 in favour of alternative payments.....	5
Introduction to Alliansor Caps AB	1	Fraudsters rigging Chip and PIN terminals to steal data - report.....	5
The Nordic and Baltic States news	2	Scheme news.....	6
EDB signs agreement with OK-Q8, Sweden's largest chain of petrol stations	2	JCB, ORIX, Majid Al Futtaim Group set up credit card company in Dubai.....	6
NETS signs Nordic agreement with SEB Kort	2	MasterCard and RBS to pilot contactless transit payments in Liverpool.....	6
Europe & World Wide news.....	2	Visa Introduces New Accounts Payable Automation Services.....	6
Oyster could be replaced by mobile phones or bank cards - TfL.....	2	American Express Reports Third Quarter 2008 Financial Results	7
HSBC introduces business banking for Blackberry users	3	Visa and MasterCard settle Discover lawsuit	7
MasterCard, Moscow metro, Citibank and "ExpressCard" announced a new card product	3		
EC sets out e-money legal framework	4		

Latest news from Card Academy

Introduction to Alliansor Caps AB

Alliansor Caps offers Swedish and international clients their unique card and payment skills in technology, economics and law. They are often referred to as Sweden's leading consultants on the card market. In order to create secure payment solutions they are working with ICC (Integrated Circuit Cards, Chip cards) and PKI (public Key Infrastructure).

EMV, representing Europay, MasterCard and Visa, a card payment security concept is being established in a number of Nordic countries with their participation. The development of a common Swedish bank standard for cash register integrated card payment terminals, iPOS, is an example of an EMV application, in which Caps has been an important part.

In the European perspective they work with SEPA (Single European Payment Area) in order to make cross border payments easier in Europe. They can offer economical and legal competence.

Yours sincerely,

Kurt Andersen



Card Academy

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The Nordic and Baltic States news

EDB signs agreement with OK-Q8, Sweden's largest chain of petrol stations

The largest chain of petrol stations in Sweden, OK - Q8 AB, has entered into an agreement with EDB for the delivery of payments services for the chain's 1.3 million customers. The agreement, which represents total contract value of around SEK 80 million, runs for five years and is one of the largest contracts for card services that EDB has won in the Swedish market.

"This is an important contract and a strong vote of confidence in EDB's services for payment cards in the Swedish market. OK-Q8 will now be one of EDB's very largest customers for card issuance, and this confirms our strong market position for card services in Sweden", comments Wiljar Nesse, Executive Vice President - Bank & Finance at EDB.

The contract provides for EDB to take on responsibility, over time, for issuing all cards for OK-Q8 Finance's customer portfolio in the Swedish market. The cards currently issued to these customers can only be used for payments at OK-Q8 and its partners, totalling 900 locations. In addition, OK-Q8 will begin to issue a new OK-Q8 VISA card, which will allow its customers to use their cards throughout the Visa network. EDB has developed a new state-of-the-art card services platform to provide the basis for its products and services in this area, and OK-Q8 will be the first of EDB's customers to start using the new platform.

OK-Q8 is one of the largest payment card issuers in Sweden, with 1.3 million customers and 1.6 million cards in use.

In addition, EDB and OK-Q8 have agreed to investigate opportunities to expand the scope of the contract into other areas during the five-year period. (Source: EDB, September 2008)

NETS signs Nordic agreement with SEB Kort

With their signing of a three-year agreement, SEB Kort will be able to route their Nordic payment transactions through NETS, the leading processor of card transactions in the region. The agreement brings NETS an important step closer to becoming a leading European processor of card transactions. NETS (Northern European Transaction Services) has announced a three-year Nordic agreement with SEB Kort.

"The agreement with SEB Kort brings us an important step closer to becoming a leading European processor of card transactions. Furthermore, the total number of transactions processed by NETS will increase which will strengthen our capacity for innovation and competitiveness," says Pedram Tadayon, Sales and Business Development Director of NETS.

The agreement with NETS is a great opportunity for SEB Kort to pursue its international ambitions.

"We've had agreements with BBS AS and PBS A/S during the past years. The new agreement enables us to collect and process our transactions through one supplier and to offer merchants in need of a payment solution covering the Nordic countries an alternative", says Christina Larsson, Business Area Manager of Euroline, the acquiring unit of SEB Kort. (Source: NETS, September 2008)

Europe & World Wide news

Oyster could be replaced by mobile phones or bank cards - TfL

London's pre-paid contactless Oyster travel card could be dumped by 2010 in favour of a system that uses mobile phones or bank cards, says Transport for London (TfL).

TfL told the London Assembly today it is looking at various technologies and providers to take over from the current Oyster system - run by consortium Transys - in 2010.



Will Judge, head, future ticketing, TfL, told the assembly's budget and performance committee the system could be delivered on a smartcard - like Oyster - or on a phone or bank card. The new system could also have a different name, meaning the death of the Oyster brand, says Judge.

TfL also revealed that Oyster is expected to be available on London riverboat services next year, with other parts of the capital's transport system to follow.

Transys is having its contract terminated early in a bid to save millions of pounds. The system has come under scrutiny recently, with outages and the publication of a research paper outlining security flaws found in the Mifare chips used in the cards.

TfL says it will ditch the current private finance initiative (PFI) model in favour of a contract divided into modules with each bit let individually.

Earlier this year TfL partnered handset manufacturer Nokia, phone network O2, Visa and TranSys on a pilot to enable customers to pay for tube journeys using mobile handsets.

The pilot was hailed a success, with nine out of ten participants saying they were happy using NFC technology on a mobile phone and 78% said they would be interested in using contactless services if available.

Barclaycard currently has an exclusive deal with Transys to provide Oyster functionality as part of its OnePulse contactless debit card. That contract too will expire in 2010.

Earlier this week MasterCard and the Royal Bank of Scotland revealed plans to trial a combined contactless bank and transit card in Liverpool. Unlike London's Oyster, the card does not need to be topped up because funds are automatically debited from the debit or credit card. (Source: *Finextra, October 2008*)

HSBC introduces business banking for Blackberry users

HSBC Commercial Banking business customers can now monitor their balances and transaction history via the screens of their BlackBerry (8000 series) devices.

HSBC claims the IBM-enabled BlackBerry business banking service is the first in the UK.

Users access the service by logging on with their regular username and password and tapping in a one-time code generated by a personal digital password generator.

Customers can check balances and transactions for the last seven days on HSBC sterling and foreign currency accounts, and view balances on business and commercial credit cards along with seven days worth of transactions for each cardholder.

Noel Quinn, head of commercial banking UK, HSBC, comments: "Our business customers range from sole-traders to large corporates, and we know that instant access to their accounts and good security is important to them. By providing a business banking service specifically optimised for BlackBerry devices, we are enabling SMEs to spend a greater proportion of their time focusing on running their business, knowing they have direct access wherever they are, and less time worrying about keeping track of their banking."

The service is available to all 300,000 subscribers to the bank's business Internet banking service. (Source: *Finextra, October 2008*)

MasterCard, Moscow metro, Citibank and "ExpressCard" announced a new card product

MasterCard Worldwide payment system, Moscow metro, Citibank and "ExpressCard" company (IT company that specializes on solution development and integration in the areas of payment technologies in transport) made an announcement about the commencement of the project of co-branded credit card "Citi - Express Card - MasterCard" issue. This is the fifth transport card project implemented by the Citibank. Similar projects with the bank participation were implemented in Singapore, Delhi, New York and Washington.



The festive occasion to celebrate the event was held in the hall of "Mayakovskaya" metro station. Among the guests of the event there were: Ilya Ryabiy, representative of the MasterCard Europe office in Russia, the Head of Moscow metro Dmitry Gaev, Joel Kornreich, the General Operation Manager and the Head of business with private clients Citi in Russia and CIS countries and the General Director of the „Express Card” company Timur Rodionov.

«Citi – Express Card – MasterCard» card contains a contactless chip, which allows to pay for entering the Moscow metro on the whole network of its standard gates. The project was accomplished using the MIFARE technology. Apart from that, like a traditional credit card, the «Citi – Express Card – MasterCard» can be used for purchases in the sales and service network, online stores, for cash withdrawal, utilities and other services payments, transactions in the ATM bank network (around 9 000 machines worldwide), as well in the network of off-site banks teller machines.

The maximum credit limit offered with the card is 160 000 rubles. The annual card servicing fee amounts to 1 000 rubles.

The cost of trips the card holder makes during the month will be written off the credit card during the following month. In addition, introductory period of crediting by card, which is 50 days, is expanded not only on the purchasing operations, but as well on the trips in the metro.

The co-branded cards holders as well have the access to a range of Citibank services: SMS notifications about the transactions carried out with the card, 24/7 service by telephone, Internet banking, banking insurance programs, as well discounts in sales and service network, provided to all Citibank cards holders.

As explained by the participants of the events, according to the results of marketing researches conducted by the TNS Gallup Media, the potential audience for the new card is estimated today at 1 million people.

For the foreseeable future partner companies plan to extend the area of card usage for contactless payments of travel by above-ground transport and suburban traffic trains of Moscow. (Source: Rixtar SIA, October 2008)

EC sets out e-money legal framework

The European Commission (EC) has set out proposals for a legal framework governing the issuance of electronic money which it hopes will accelerate take-up of the technology.

The E-Money Directive was conceived and adopted in 2000 at the height of the e-commerce boom and was intended to address the activities of non-banks involved in digital cash issuance.

But the EC began a review of the current rules in 2005 and now says they have hindered take-up of e-money, hampering technological innovation.

The proposed rules will help create a single market within the EU and enable new providers to enter and develop the market - which is expected to see volumes of up to EUR10 billion by 2012 - says the commission.

The EC is proposing a technologically neutral and simpler definition of e-money which covers e-money held on payment devices such as pre-paid cards and electronic purses, or stored remotely at a server.

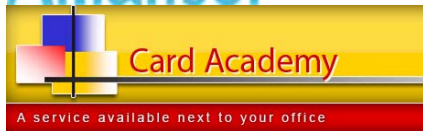
The EC is also calling for greater consistency between prudential requirements of e-money institutions and payment outfits under the Payment Services Directive (PSD). The new requirements include an initial capital of EUR125,000, enabling smaller outfits to enter the market.

The commission says there will be a clarification of redemption requirements, with special reference to mobile phones. This would mean consumers have the right to claim back their e-money.

Anti money laundering rules will also be updated, ensuring consistency with the thresholds of the PSD.

Charlie McCreevy, internal market commissioner, EU, says: "The e-money industry has significant untapped growth potential. I believe that the new rules will accelerate the up-take of electronic money in





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Europe. These modern rules will foster competition and innovation, while ensuring market confidence and a high level of protection for consumers." (Source: *Finextra*, October 2008)

Card brands, issuers to lose USD 345 million in volume in 2010 in favour of alternative payments

A study focusing on the market value gained by alternative payments indicates that these schemes threaten to take away almost USD 345 million in potential transactions from card brands and issuers by 2010. This volume is expected to grow to 1.7 billion by 2015.

Presently, alternative payments represent 15 percent of the total e-commerce volume. Nevertheless, they could become a threat to traditional payment methods by making higher value proposition to buyers and they are already focusing on offering higher value than payment cards, the study suggests. Despite their dominance and wide acceptance, payment cards have serious weaknesses. The most important one is security, since 40 percent of consumers are reticent when it comes to revealing credit card information on the internet. The study also reveals that every time a bank account is debited via ACH instead of a card, the card industry loses from 1.5 to 2.4 percent of the transaction size. (Source: *EPaymentsNews*, October 2008)

Fraudsters rigging Chip and PIN terminals to steal data - report

Hundreds of Chip and PIN terminals in shops and supermarkets across Europe have been rigged by criminals gangs and used to steal shoppers' card details, according to US national counter-intelligence executive Joel Brenner.

Brenner told UK broadsheet *The Daily Telegraph* that an international criminal gang is suspected of tampering with the Chip and PIN devices during the manufacturing process in China.

The machines have been doctored and resealed perfectly - making it impossible to tell there is anything wrong with them - before being shipped to Britain, Ireland, the Netherlands, Denmark and Belgium.

The terminals have copied the account details and PIN numbers of thousands of cards over the past nine months, with the data sent to fraudsters in Lahore, Pakistan, via mobile phone networks, says the *Telegraph*.

The card details are then used to pay for Internet purchases or to make cloned cards to withdraw cash. Brenner says the scam has seen tens of millions of pounds stolen from accounts over the last few months.

The *Telegraph* says an investigation by Mastercard is thought to have found several of the doctored terminals at British branches of supermarkets Asda and Sainsbury's.

Retailers have weighed thousands of machines to find doctored machines - units which have been tampered with are slightly heavier than clean ones, says the paper.

Brenner told the *Telegraph* the scam is so sophisticated that "previously only a nation state's intelligence service would have been capable of pulling off this type of operation".

Brenner has called for Chip and PIN machine manufacturers to do more testing and to "guard that supply chain in ways that people guard the movement of jewellery".

In August UK police raided a counterfeit card factory in Birmingham and seized equipment that could be used to compromise retailer Chip & PIN terminals. Two suspects were arrested and charged with conspiracy to defraud.

Later that week a third man was arrested, believed to be the engineering brains behind a sophisticated programme to read and transmit customer PINs as they are entered at compromised Chip and PIN terminals in retailer check-outs. (Source: *Finextra*, October 2008)



Scheme news

JCB, ORIX, Majid Al Futtaim Group set up credit card company in Dubai

Credit card issuer JCB has joined forces with Japanese financial services group ORIX and UAE-based property and shopping malls developer Majid Al Futtaim Group (MAF Group) to establish a joint venture credit card company in Dubai.

Under the terms of the agreement, Majid Al Futtaim JCB Finance (MAF JCB) is to issue JCB credit cards and promote license partners across the Middle East and North Africa. MAF JCB has already started accepting applications for the first JCB international brand card across the UAE, the Najm JCB credit card at Carrefour and other retail facilities. (Source: *Epaymentsnews*, October 2008)

MasterCard and RBS to pilot contactless transit payments in Liverpool

MasterCard is teaming with the Royal Bank of Scotland (RBS) and Stagecoach to trial a combined contactless bank and transit card in the UK city of Liverpool.

The one year pilot is scheduled to begin in the second quarter of 2009 and will enable users to pay for journeys by tapping their cards against readers on around 200 Stagecoach buses in Merseyside.

MasterCard says the trial is the first time a contactless bank card will be used to make payments on public transport in the UK. Unlike London's Oyster transit system, the card does not need to be topped up because funds are automatically debited from the debit or credit card.

Users will also be able to make payments of £10 or less with their PayPass contactless cards at retailers in the area that accept the technology.

Tom Wileman, regional director, Stagecoach Merseyside, says: "This new state-of-the-art system will make bus travel faster and more convenient for thousands of people in Liverpool every day and help attract car users to more sustainable public transport."

MasterCard is already working with transport operators in New York on a contactless payments trial that will enable customers to use devices such as cards, key fobs and mobile phones to pay fares on buses and trains. The firm is teaming with The Port Authority of New York and New Jersey and NJ Transit for the eight month trial, which is set to kick off in early 2009. (Source: *Finextra*, October 2008)

Visa Introduces New Accounts Payable Automation Services

Visa has announced the introduction of Visa Accounts Payable (AP) Automation, a new service Visa says is "designed to help large and mid-sized businesses reduce costs associated with expense management, purchasing and accounts payable processes." A Visa white paper is also available online.

Visa AP Automation is an enhancement to Visa's portfolio of commercial payment products and services. The integration capabilities are enabled by Visa Data Integration Services, a suite of new commercial payment tools and applications that includes connectivity, file mapping, data enrichment and transformation solutions that can help businesses and banks eliminate time-consuming data integration implementations. Specifically, this service provides solutions that are designed accelerate time-to-market for new products and services while decreasing internal resource requirements.

"Helping businesses save time and money through more efficient B2B payment solutions has always been at the core of Visa's strategy to provide industry-leading commercial payment products and services," said Darren Parslow, head of Global Commercial Solutions, Visa Inc. "With the introduction of Visa AP Automation, it is now even easier for companies to eliminate costly check and paper-based processes and enjoy the potential cost saving and efficiency improvements associated with Visa Purchasing card transactions."

Electronic purchasing card transactions can be more efficient because they require less time and fewer resources than traditional invoice processing and reconciliation. According to the recent Visa AP



Automation white paper, companies can achieve significant cost saving by automating the accounts payable function. Specifically, research by Aberdeen estimates that fully automated companies can save \$10.87 per payment – approximately \$1.1 million in savings for businesses processing 100,000 B2B payments per year. Visa purchasing card programs also provide detailed invoice reconciliation reports to help match invoices to payments more easily, helping companies save both time and money. (Source: *Payment News, October 2008*)

American Express Reports Third Quarter 2008 Financial Results

American Express has reported financial results for the third quarter of 2008 with net income declining 23 percent and credit losses on its US managed card services business up to 5.9% vs 5.3% during the second quarter and 3.0% in the same quarter a year earlier. In the US, Amex's billed business increased 4% while its average basic cardmember spending declined 1% to \$2,950 (Source: *Payment News, October 2008*)

Visa and MasterCard settle Discover lawsuit

Discover Financial Services has settled a long running anti-trust lawsuit that accused rivals MasterCard and Visa of blocking access to the bank-issued card market in the US.

The suit was scheduled to go to trial today in Manhattan with jury selection.

But citing a court clerk, Bloomberg says the credit card companies have now reached a settlement. Details of the deal have not yet been disclosed.

MasterCard has released a statement saying it has reached "an agreement in principle" to settle the outstanding litigation with Discover. MasterCard says it is working with Discover on settlement documentation and details will follow.

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

Discover and American Express both filed suit 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.

American Express settled with Visa for up to \$2.25 billion last November. This was followed by a \$1.8 billion deal with MasterCard this June. (Source: *Finextra, October 2008*)

