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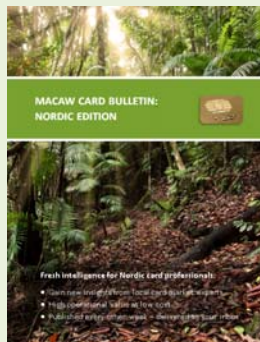
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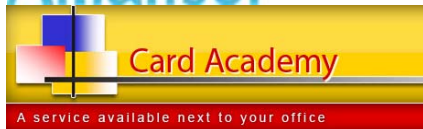


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The Nordic and Baltic States news

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Europe & World Wide news

Card acceptance remains a challenge for B2B payments

The growth of card-based business-to-business (B2B) payments has been hampered by difficulties in increasing the number of businesses that will accept cards for these payments. This can be attributed to several factors, including a belief that these payments are much more expensive to process because of the merchant services fee charged by the merchant acquirer. However, the benefits of improved cash flow, guaranteed payment and reduced collection expenses are often not understood by companies of all sizes.

Glenbrook recently conducted a series of interviews with B2B suppliers to research card acceptance for B2B payments in the US and other commercial payments issues. The findings vary by size of company but some general trends emerged from the research.

Key findings:

- It is difficult to find companies that accept cards for B2B supplier payments. Card payments from consumers are far more prevalent.
- Businesses are polarized when it comes to accepting card payments. They are either very positive ("Accelerate cash flow!") or fiercely resistant ("No way, it's too expensive!")
- The line between 'card present' and 'card not present' in the B2B environment is less clear than it is in a C2B environment. Questions of when the payment is initiated, and by whom, complicate participants' understanding of the use of cards.
- It is hard to overestimate the depth of ignorance about card processing on the part of B2B treasury and operations managers. "What's a gateway?" "How can I even do that?"
- Straight-through-processing (STP) of card payments remains an elusive goal. Companies struggle to integrate their systems in order to automatically apply card payments against open invoices in their receivables.
- Business-to-business suppliers of all sizes are relatively unaware of PCI compliance. Even companies that accept cards and, should be compliant, are not aware.
- Small and mid-sized companies have embraced SaaS solutions more than large enterprises. Those that are using SaaS solutions are processing cards "efficiently and seamlessly."

(Source: Commercial Payments International, July 2009)

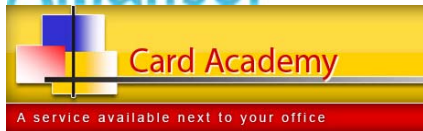
Virtual prepaid cards use ATM channel for delivery

It is now possible for consumers to buy vouchers for online shopping at ATMs in Spain, as virtual prepaid card provider Paysafecard has announced a partnership with Caixa Galicia to use the Spanish bank's ATM network.

Paysafecard's virtual card products are aimed at consumers who need to purchase online, but do not have a credit card or bank account. The virtual cards also suitable for those concerned about the security of internet shopping and do not want to enter their credit card and bank details online, or for those who do not want their online activity traced to their regular account – as in the case of gambling, for example.

The solution, which has also been developed with Spanish processor TelePay, means that prepaid vouchers are available 24 hours a day, seven days a week through Caixa Galicia's ATMs. The company explains that the process is no different from withdrawing cash; instead, the customers are able to withdraw prepaid vouchers of differing values.





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The virtual vouchers work in the same way as a regular online card payment, except that the numbers entered are from a voucher rather than a physical payment card. Unlike a credit card, which is permanent and has a high credit limit, the voucher's life is temporary and limited to its face value, making it safer if the numbers fall into the wrong hands.

The company says that this is the first time that it has been possible for online shopping vouchers to be purchased at ATMs.

Paysafecard's reach now extends to 20 countries, with the company offering e-vouchers across Europe and South America. The company hopes that this move will have an influence on the market, and foresees that this method of distribution will be used more widely in the future.

(Source: Lafferty Cards News, 2009)

Commercial prepaid applications on the rise

Many of the recent prepaid introductions have been in the commercial card space. Payroll, travel and incentive cards are becoming increasingly popular in not just the US but other markets as well, and the profit potential for them is considered more robust than for consumer prepaid programs. Two recent introductions highlight how companies can realize significant savings with these cards.

With the cost to cut and mail payroll checks in the US approaching US\$2 each, Springbok estimates that employers can save nearly US\$50 per employee annually by using payroll cards. Recently, Springbok Services introduced its enPay prepaid payroll cards positioned as a convenient, cost-effective and green alternative to paper payroll checks. Springbok enPay payroll cards enable companies to lower costs and optimize payment processes by avoiding production, handling and distribution of checks, as well as eliminating the time constraints and fees associated with lost and stolen checks. The product replaces paper-based payments with a reloadable Visa prepaid card — reducing organizations' operational expenses, minimizing check-related fees and improving security. Employers can customize their enPay prepaid payroll card with their company name and logo, distribute the enPay cards to employees, and then upload funds directly to the payroll card to pay salaries, reimburse out-of-pocket expenses, pay bonuses and commissions, or fulfil termination payments.

Most corporate travellers utilize a corporate issued charge or credit card to pay for routine expenses while on the road. However, there are situations in which a company may not wish to issue a corporate card to an individual but would still like to retain controls and receive data about spending patterns. Recently introduced prepaid travel cards can offer a supplement to a corporate card program to fill this gap.

One recent introduction of this type of product is from foreign exchange and international payments supplier Travelex. In April it released its Corporate Cash Passport tool, which is a MasterCard-branded card loadable with US dollars; the card is accepted at ATMs and by any vendor who accepts debit MasterCard products globally. The product is aimed at companies that have a large number of contractors or other one-time travellers who do not have company-issued corporate cards. Companies are able to track spending and to enact spending controls around specific travel events. For example, if a traveller needs to rent a certain type of vehicle to transport a VIP but doesn't know the cost before leaving, the proper amount can be added to the card just prior to the purchase. Virgin Atlantic Airways is using the cards for crew compensation per diem.

(Source: Commercial Payments International, July 2009)

Debt management business launches prepaid card

UK debt management business ClearDebt Group has launched a prepaid card for those deemed to be 'financially untouchable'.

ClearDebt's ClearCash Prepaid MasterCard features a budgeting tool that has been created to help consumers learn how to manage their money and avoid unnecessary bank charges. The product is also



aimed at individuals experiencing financial difficulties, who are struggling to manage their budget in the recession, or who are already in debt management plans (DMPs) or individual voluntary arrangements (IVAs).

David Mond, CEO of ClearDebt Group, said the launch of the prepaid card comes at a time when people are very aware of bank charges and need a money management tool.

Paul Swinton, managing director of Payment Card Solutions, which in conjunction with its partners Quantum Card Services operates the ClearCash Prepaid MasterCard, said the new product represents an opportunity to help consumers save money and budget at a time when this is essential.

The ClearCash prepaid card costs £4.50 (\$7.29) to register, whereas ClearDebt Group says its competitors charge up to £25 to £30 (\$40.50 to \$48.65) to open an account. All UK transactions are free except cash withdrawals, which are charged at £0.50 (\$0.81).

The card is issued by Newcastle Building Society pursuant to a licence by MasterCard International. The product also features online bill payment and account management facilities.

With the UK economy currently in recession, ClearDebt Group said it has received twice the number of enquiries compared to this time last year. It adds that because debt has a time lag and many people take months or even years to face up to debt, figures will continue to rise, even when employment opportunities improve.

(Source: Lafferty Cards News, July 2009)

Annual Fees on Credit Cards are coming back

Auriemma Consulting Group says that "reduced revenues will drive credit card issuers to introduce cards with annual fees to consumers in the near future. Cards without annual fees will not feature rewards and will only offer cardholders basic benefits."

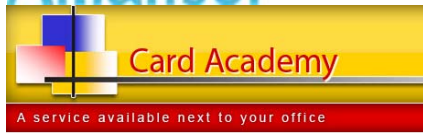
This shift away from no-fee credit cards will come as a result of the changes in the ways that consumers are using credit cards, which affects the profitability of credit card issuers. Consumers are less likely to carry balances on their credit cards, reducing the amount of revenue card issuers can earn on interest. Data published by Auriemma Consulting Group in Cardbeat® shows that the percentage of consumers carrying balances on their credit cards has decreased 40% in the past year. Additionally, the number of consumers unable to pay their bills (credit cards or otherwise) has increased dramatically over the past 18 months. Since the end of 2008, the percentage of credit card accounts written off by lenders has exceeded 10%; in 2006, the percentage of credit card accounts written off was typically between 3 and 5%. These two factors have resulted in card issuers being forced to seek out alternate commercial models and income streams.

To maintain profitability, many issuers will aggressively market fee-based cards to customers. Whilst credit card companies will continue to offer no-fee cards, the rewards aspect of these cards will be greatly reduced or removed altogether. Rewards cards, including cards with premium services or benefits, will certainly feature a fee in the near future. Credit card issuers that currently offer cards with annual fees will most likely increase those fees.

Additionally, card issuers will develop new card offerings, with tiered rewards and benefits. Most likely, these offerings will have several cards under a specific brand. Cardholders can pay a higher fee for richer rewards and benefits, and a lower (or no) fee for a more basic product. There have already been examples of tiered cards in the market. In the UK, the most notable example comes from M&S Money (a subsidiary of HSBC). M&S's basic no-fee card gives cardholders 1 point per £1 spent in the store. Cardholders enrolled in their Premium Club (with a £10 monthly fee) receive free vouchers for coffees from the in-store cafe, complimentary family travel insurance, and earn 3 loyalty points for every £1 spent in the store.

Megan Bramlette, a managing associate at Auriemma Consulting Group says, "By the end of 2010, all major credit issuers in the UK will have some sort of fee-based enhancement available to its customers,





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the most successful of which will offer benefits that are in line with their core value proposition like in-store benefits for a retailer co-brand card, or premium seat selection and baggage fee waivers on airline cards.”

It is expected that it will be more expensive for consumers to borrow money in the future, whether on a credit card, a mortgage, a personal loan, or any other type of financial product. As the lending industry transitions to a fee-based environment, it is likely that many British consumers will cease using credit cards, particularly the sub-prime and mass-market population. The number of credit card users in the UK will shrink, and the remaining consumers using credit cards will be the more affluent and rewards-seeking population.

(Source: Payments News, July 2009)

Volksbank International to centralise European payment card processing with SIA-SSB

SIA-SSB has signed a framework agreement with Volksbank International (VBI), a part of the fourth largest banking group in Austria, to provide issuing and acquiring service for the complete management of payment cards, ATM and POS in nine Central and Eastern European countries.

Under the terms of the five-year deal, SIA-SSB's centralised technology platform will be used to manage debit and credit card processing at 600 sales outlets in Slovakia, Czech Republic, Hungary, Romania, Slovenia, Croatia, Bosnia-Herzegovina, Serbia and Ukraine

Magyarországi Volksbank in Hungary and Volksbank Romania will be the first banks in the Austrian VBI Group to adopt the new platform for the management of the entire authorisation, clearing and settlement process

Michel Ivanovsky, member of the managing board and COO of VBI comments: "We will make a big step forward with this new infrastructure."

The vendor says adoption of a single, centralised platform by the group will enable improved "time to market" in international expansion as well as the rationalisation of IT systems and cost reductions from scale economies.

(Source: Finextra, July 2009)

BlackBerry becomes POS device

Merchants can now use their BlackBerry as a means of accepting card payments with the introduction of payment software that is compatible with the BlackBerry Tour model. Charge Anywhere, the point-of-sale solutions company that developed the technology, says that this is the first payments solution that has been released for the new 3G BlackBerry Tour Smartphone.

A merchant who buys the software also receives a terminal. When the merchant wishes to accept a card payment, they select the payments application on the BlackBerry, swipe the card through the terminal and enter the amount of the transaction on the BlackBerry. By clicking 'send' on the BlackBerry, the handset is able to link up to the terminal and receive a message that authorises the payment. The software is available for all merchants, regardless of their merchant acquirer and processor. The company says that merchants can immediately use the mobile payments technology on First Data, TSYS, Global Payments, Paymentech and Elavon processing platforms.

The software complies with the PCI DSS and PA DSS security standards for accepting card payments.

"With the certification of the BlackBerry Tour, Charge Anywhere remains in its leadership position of providing the latest in secure, mobile payment solutions to our valued customers and partners," said Paul Sabella, Charge Anywhere's chief executive officer.

(Source: Lafferty Cards News, July 2009)



Scheme news

Monnet group to be set up in October 2009

Monnet - the planned pan-European debit network that aims to rival the dominance of Visa and MasterCard - reportedly intends to set up a group in October to finalise plans for the network.

A number of French and German banks are involved in the project, including Deutsche Bank, Deutsche Postbank, Commerzbank, WestLB, Banque Populaire, Caisse d'Epargne, La Banque Postale and Société Générale.

European authorities have been pushing for the creation of a third cross-border debit network in Europe, arguing that a challenger to the duopoly of Visa and MasterCard would increase competition and make the payments system more efficient. Once the Single Euro Payments Area has been implemented, the pan-European scheme would be possible as debit card networks will be interoperable between European countries, unlike the patchwork of domestic debit systems that currently exists.

Hermann-Josef Lamberti, Deutsche Bank's chief operating officer, was quoted by Bloomberg as saying that the European banks involved in Monnet plan to set up a group in October. So far, the Monnet project is said to mainly involve French and German banks, but is looking for wider support from other European banks. "We all knew it was important to get the Germans and the French to agree," Bloomberg reported Lamberti as saying at a conference in Frankfurt. "When the rest of Europe sees that these two can agree, then Monnet has a chance to evolve into a solid European system."

There have been other plans for pan-European debit card acceptance, such as the merchant-focused PayFair network and the Euro Alliance of Payment Schemes. Critics argue that even if a third pan-European debit network is launched and successfully rivals Visa and MasterCard in Europe, the debit cards would still have to be co-branded with either of the dominant international network brands for global acceptance. Others argue that banks might be reluctant to invest in another payment network as they invested heavily in Visa and MasterCard when the networks started out as membership associations.

(Source: Lafferty Cards News, July 2009)

Visa Inc. sets Software Security deadlines

Visa Inc. has announced global requirements for financial institutions to ensure their merchant customers and agents use secure payment applications that do not store prohibited data elements and adhere to the Payment Card Industry (PCI) Payment Application Data Security Standard (PA-DSS).

The PA-DSS is a global set of security requirements for software vendors who develop payment applications. PA-DSS compliant applications do not store prohibited data such as track data, sensitive authentication data, or PIN data, helping merchants and agents who use them mitigate compromises and support overall compliance with the Payment Card Industry Data Security Standard (PCI DSS).

In Asia Pacific (AP); Central and Eastern Europe, Middle East and Africa (CEMEA); and Latin America and the Caribbean (LAC), Visa acquirers must ensure that newly signed merchants use PA-DSS compliant applications by 1 July 2010. By 1 July 2012, those acquirers must ensure existing merchants and agents in the Visa network use PA-DSS compliant applications.

As previously communicated to U.S. and Canada financial institutions, Visa acquirers must ensure that all new and existing merchants and agents in the Visa network use PA-DSS compliant applications by 1 July 2010.

Visa research confirms that vulnerable payment applications are a major cause of compromise incidents, particularly among small merchants. "Criminals are targeting certain versions of software known to have security vulnerabilities," said Eduardo Perez, head of global data security, Visa Inc. "It's essential that every business that handles payment card information adhere to the highest data



protection standards to protect the security and privacy of their customers' financial information," Perez said.

Visa recommends that merchants and agents ask their payment application vendors, resellers or system integrators to confirm that software versions used do not store magnetic-stripe, PIN data or security codes. "Merchants with vulnerable payment applications should move quickly to either patch or upgrade their systems," Perez said.

A list of products that have been independently validated against Visa's Payment Application Best Practices (PABP) or the PA-DSS can be found at www.pcisecuritystandards.org or www.visa.com/cisp.
(Source: Visa Inc., July 2009)

MasterCard and MobileXpense extend cooperation to deliver Enhanced Travel Management Solutions for companies

MasterCard Europe and MobileXpense have announced today that they will extend their cooperation to deliver enhanced expense management solutions for businesses. Under this agreement, card issuers and their commercial customers will be able to integrate their MasterCard corporate card programmes directly with MobileXpense's web-based travel and expense management platform. Companies will benefit from a seamless workflow, whereby MasterCard spend data is automatically sent to MobileXpense's online tool, reducing time and cost spent on consolidating the T&E payment process – from booking trips to reimbursing expenses. Having passed a number of due diligence requirements related to the storing and handling of expense information, MobileXpense has recently received MasterCard certification.

Rene Stynen, Head of Large Market Commercial Products, MasterCard Europe, comments: "Today's announcement underlines our commitment at MasterCard to make the end-to-end payments process as smooth and as efficient as possible for businesses of any size. The alliance with MobileXpense is a perfect fit for our strategy of providing powerful, yet customizable integration solutions, offering both robustness and flexibility. In times of significant demands on cost and compliance, automated consolidation and reporting tools have proven to deliver real bottom-line savings and better control for companies' travel management activities. Offering this additional service will allow corporate issuers to provide enhanced value to their customers while differentiating themselves in a competitive marketplace."

According to the results of the 2008 MasterCard Worldwide T&E Expense Management Best Practices Study, data integration can help to drive card utilization at organizations up to 94%, significantly improving T&E tracking and expense reporting efficiency.

Patrick Billiet, Managing Partner at MobileXpense, concludes: "We are delighted to be a 'Certified MasterCard Partner'. Whereas previously we have needed to interface with each individual MasterCard issuer, the new joint interface we have built enables us to integrate all MasterCard corporate, purchasing and lodged card transactions within our system – directly from the MasterCard SmartData™ global repository. What that means for our customers is tremendous savings in time, cost and complexity on all international implementations. Successfully passing MasterCard's extensive security tests and becoming a Certified Partner bears great testimony to the high quality of our 'Software as a Service' (SaaS) approach".

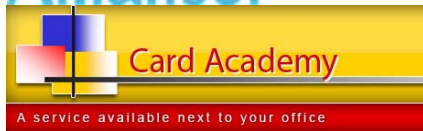
(Source: MasterCard, July 2009)

Visa glitch hits cardholders with \$23 quadrillion charge

A technical glitch has led to the statements of some Visa pre-paid cardholders showing charges of over \$23 quadrillion for everyday purchases.

The snafu, caused by a programming error at Visa Debit processing services earlier this week, meant around 13,000 transactions were charged at \$23,148,855,308,184,500.





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Josh Muszynski, from Manchester, New Hampshire, was one customer to get a shock when he checked his statement online, discovering he'd been charged the incredible sum for a packet of cigarettes purchased a few hours earlier at a petrol station.

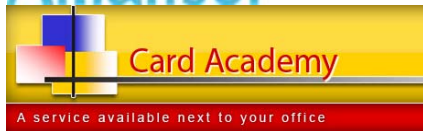
"It was very concerning - it was a lot of money in the negative," Muszynski told the local WMUR-TV station.

After two hours on the phone to Bank of America the error was corrected and his \$15 overdraft fee was also waived.

In a statement, Visa says: "A temporary programming error at Visa Debit Processing Services, caused some transactions to be inaccurately posted to a small number of Visa prepaid accounts. The technical glitch, which impacted fewer than 13,000 Visa prepaid transactions, has been corrected and erroneous postings have been removed. Importantly, this incident had no financial impact on Visa prepaid cardholders."

(Source: Finextra, July 2009)





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Contact and Partner information

Here you find information and links to Card Academy and our partners. We currently have Agent agreements covering Finland and the Baltic states.

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