

## ISSUE # 45, 2009

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## Latest news from Card Academy

### Would you like to split the bill?

Ever found yourself in a situation where you want to split the restaurant bill with your buddies, and all want pay by Credit Card. Like you want to get the calculations down to the last penny, or sip of Apple juice? Fret Not, if the Piece of Cake ever comes into existence, it'll give going Dutch with friends a whole new meaning. By using this device each one can pay for just what they ate using their Credit Card. The screen displays the total items consumed and you select your share to be automatically calculated.

Please visit <http://www.yankodesign.com/about/> for further inspiring updates.



Yours sincerely,



Kurt Andersen, Card Academy



## The Nordic and Baltic States news

### Baltic Sea Card Conference 2010

The Baltic Sea Card Conference is a new service to all employees within Banking and Retail business in the Nordics & Baltic Sea countries.

- Local yet global
- About today's business
- Cost/Efficient
- Next to your office
- For Bankers & Retailers

This is your opportunity to get updated on regional and local day-to-day business issues, as well as meet up with colleagues from all over the Baltic Sea area, facilitating the opportunity to network.

Baltic Sea Card Conference 2010 has been scheduled for 12/13 April 2010 in Riga, Latvia. The conference venue will be Reval Hotel Latvija – situated in the centre of Riga, Latvia.

Our international team of Baltic Sea Card Conference speakers currently includes:

- |                                    |  |
|------------------------------------|--|
| ✓ Lars Tebrügge, EAPS              | ✓ Marc Temmerman, Visa Europe              |
| ✓ Simon Dean, AI Corporation       | ✓ Ernst Verbeek, Trionis                   |
| ✓ Eric de Putter, VocaLink         | ✓ Chris Paul, Insight Consultancy          |
| ✓ Mikael Möller, Swedbank          | ✓ Peter Steenstrup, Affinion International |
| ✓ Jon Sederqvist Østmoe, MACAW     | ✓ Hans Brouwers, Repay International       |
| ✓ Andrew Watson, Spendvision       | ✓ Mogens Elsberg, Pensio                   |
| ✓ Lars Syberg, FortConsult         | ✓ Eric Wallin, DIBS                        |
| ✓ Sebastian Slim, Welcome Realtime | ✓ Brian Larsen, Getitcard                  |
| ✓ Rikard D H af Sandeberg, IBM     | ✓ Claudio Simatovic, Retain24              |

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<ul style="list-style-type: none"> <li>✓ <input type="checkbox"/> Conference Fee - Baltic Sea Card Conference 2010</li> <li>✓ <input type="checkbox"/> <b>airBaltic</b> From OSL, CPH, ARN, HEL, TLL or VNO to Riga, 12 April 2010</li> <li>✓ <input type="checkbox"/> Taxi vouchers – Airport&lt;-&gt;Riga </li> <li>✓ <input type="checkbox"/> Hotel – 1 night/single room, arrival 12 April 2010 </li> <li>✓ <input type="checkbox"/> <b>airBaltic</b> From Riga to OSL, CPH, ARN, HEL, TLL or VNO, 13 April 2010</li> </ul>	<p><i>In total for 1 Delegate:</i></p> <div style="background-color: #ccc; padding: 10px; font-size: 2em; font-weight: bold;">€ 899.-</div> <p><small>WAT might be added to this fee.</small></p> <div style="background-color: #333; color: white; padding: 5px; font-weight: bold;">SAVE up to €200,-</div> <p><small>Total value of this package is up to €1,099</small></p>
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Please note that there is only a very limited number of packages available.

Just send us an e-mail on [Booking@BalticSea-CardConference.com](mailto:Booking@BalticSea-CardConference.com) or call +45 21296840 to pre-book your conference.

## **Danish banks to migrate debit cards to MasterCard**

Lokale Pengeinstitutter (The Association of Local Banks in Denmark) and MasterCard Europe have announced today that the member banks of the association will start migrating their combined portfolio of debit and ATM cards to Debit MasterCard cards in 2010.

With the new international usable Debit MasterCard, Danish consumers will have the choice of using a debit card like over 300 million Europeans are already doing.

Jan Kondrup, Director, The Association of Local Banks in Denmark: "We are committed to addressing the evolving needs of our customers. The younger generation is used to travelling abroad and shopping for goods and services online. With Debit MasterCard, we will be offering our customers a state-of-the-art payment card that combines highest security with broad acceptance in Denmark and abroad, as well as on the Internet."

Carlos Rodriguez, General Manager Nordic Region, MasterCard Europe: "We are very pleased that the association has chosen MasterCard to upgrade its debit card portfolio. Our consumer research shows that the 'New Consumer' that has emerged from the economic crisis values control above everything else, while wanting his debit card to give him access to the best deals, be it in the shop next door or online. Our Debit MasterCard solution will equip the association's customers with a modern financial management tool that caters to their key payment needs and makes their daily lives easier."

Debit MasterCard can be used to make payments at more than 29 million acceptance locations around the world and on the Internet.

*(Source: Finextra, December 2009)*

## **SpareBank 1, Norway and BBS entering into strategic cooperation agreement**

SpareBank 1 has signed a strategic cooperation agreement with BBS for a period of five years. The contract has an estimated value of NOK 1 billion and includes various types of card, payment and information services as well as eSecurity.

"This agreement will increase the competitiveness of all SpareBank 1 banks in the payment area, due to improved commercial conditions and a more comprehensive development cooperation," says EVP and CIO of the SpareBank 1 Group, Eivind Gjerdal.

"We are proud that SpareBank 1 has chosen BBS, and we humbly realise that the real job starts at this point," says Sales and Business Development Manager of BBS, Mette Kamsvåg Grimstad.

SpareBank 1 and BBS will be involved in a strategic development cooperation, in order to meet clients' future needs through improved methods. The agreement also involves sales collaborations. Parallel to the strategic cooperation agreement, an agreement involving the transfer of Terminal client portfolios from the SpareBank 1 banks to BBS has also been made.

"We will no longer be offering physical terminals in the market, but rather focus on selling financial and transaction based services," says Gjerdal.

"The contract signing and process as a whole have required large amounts of work. We wish to emphasise the high degree of professionalism demonstrated by the parties throughout this process," says Gjerdal.

*(Source: BBS, December 2009)*



## Europe & World Wide news

### **Neellie Kroes: 'The crisis has taught us that many banks need to redefine their business models'**

Neellie Kroes European Commissioner for Competition at "Competition 09 Summit" Brussels, 3rd December 2009:

The crisis has taught us that many banks will need to redefine their business models; and it made clear that self-regulation and fragmented approaches to building a financial single market did not deliver the outcomes we needed as a society. In other words - the crisis showed us that the whole financial sector was not functioning as it should.

While limited in scope, our sector inquiry into retail banking - which we started in 2005 - gave us hints about this. A fragmented market; concentrations harming consumers in certain areas and self-regulation generally not fulfilling its potential. Those hints, combined with the early learning we received from the cases of Northern Rock and the German Landesbanken, are two of the key reasons why we were able to respond so effectively from September 2008 and the financial crisis unleashed its full force.

In hindsight perhaps we should have investigated credit rating agencies also. I was shocked to learn, for example, that in 2008 those agencies gave triple AAA ratings to a mere 12 companies worldwide; at the same time they gave AAA rating to 64,000 financial products. It's clear now that their sector wasn't working as it should have.

In any case, the wider point is that we found problems in the financial sector and have put this knowledge to good use throughout the crisis.

Many banks are realising they need a greater focus on retail banking, and we have a better understanding of how to help them move in that direction. And we have continued to apply our new knowledge for the benefit of consumers. In particular I am thinking of our work to reduce Multilateral Interchange Fees (MIFs) spell out, and our support for strengthening the Single European Payments Area - SEPA - along pro-competitive lines.

In these debates the fear that one action or another will undermine the fragile and incomplete single market for banking is a regular theme. We hear that. Let me assure you - we want cross-border banking, and as a result of our sector inquiry we know much more about how to protect it and promote it.

The crisis also underlined the social importance of financial institutions. It is essential to avoid creating a banking divide between citizens, we must make sure that each citizen in Europe will have access to basic banking services.

One example worth mentioning is the case of the French Banque Postale, which has been given the task to provide these basic banking services to all citizens. I was very happy to see that increased competition through the ending of the exclusive distribution of the Livret A by only three banks was compatible with social objectives in terms of access to basic banking services and financing of social housing. This highlights that more competitive sectors can also bring social benefits.

*(Source: EPC, December 2009)*

### **Fees are returning on dormant credit cards**

Amy Schiffman has had a Fifth Third Bancorp credit card for eight years to guard against unexpected overdrafts on her checking account. Now the bank wants to charge her \$19 for not using it. "If you're not thinking about the card, you might forget to pay the fee, and then you'll be facing another late fee on top of it," said Schiffman, 26, a Web designer in Lansing.

Credit card issuers, facing the highest level of delinquencies since April, according to Moody's Investors Service, are reviving inactivity charges and reworking other fees to stem declining revenue.



Fifth Third, based in Cincinnati, added the fee for the majority of its cards in June, in part to offset increasing servicing costs, said spokeswoman Stephanie Honan. "We want to encourage active use and management of the accounts," Honan said.

Inactivity fees have been used before, said Linda Sherry, director of national priorities with Consumer Action in Washington, who conducts the group's annual survey of credit-card fees. Often they've been waived if the consumer used the card periodically, Sherry said.

"If you're keeping the card in a drawer because of the safety it provides, use it a few times in a year," Sherry said. Many U.S. consumers are trying to manage debt, which was \$842.6 billion as of Nov. 18, down 1.7% from a year ago, by paying off credit cards and then not using them. They refrain from canceling them because their ratio of debt to available credit would go up, potentially hurting their credit scores, said Nick Bourke, manager of the safe credit-card project at the Pew Charitable Trusts in Washington.

"If you're trying to get out of debt, it's a real problem," Bourke said. If consumers use the cards, they add to their balances. If they don't use the cards, they face a fee, he said. Fifth Third, Ohio's largest lender, is the 16th-largest issuer of U.S. credit and debit cards, according to the Nilson Report, an industry newsletter. Larger card lenders are also testing fees for customers who don't use the cards enough.

*(Source: Freep.com, December 2009)*

## **Restaurants sue POS vendor over data breach**

A group of US restaurants have filed a class action lawsuit against POS vendor Radiant Systems and its distributor Computer World, claiming hundreds of their customers had their identities stolen as a result of payments terminals that were not PCI-DSS compliant.

The seven restaurants in Louisiana and Mississippi are seeking millions of dollars in damages from Radiant and Computer World for "poor business practices and faulty software" that led to diners having their identities stolen.

Businesses accepting credit cards for payments are contractually obligated to use equipment and software from PCI-DSS compliant vendors.

In a statement, Charles Hoff, one of the attorneys acting as a legal advisor to the restaurants in the lawsuit, says a special investigation by the United States Secret Service found that Computer World - exclusive area distributor of Radiant Systems' "Aloha" POS software - violated PCI-DSS provisions. The plaintiffs allege they were sold earlier model POS systems despite being told they were new. In addition, Computer World is accused of violating PCI standards by using a remote access system that did not have adequate security patches, using the same password for at least 200 operators, and failing to remove prior sensitive customer credit data upon installation of Radiant POS systems.

As a result, the lawsuit's plaintiffs are alleging that Radiant Systems' negligence and failure to either instruct or monitor Computer World's actions led to systems being compromised, leaving customers vulnerable to identity theft and fraud.

The suit also says Radiant and Computer World were warned by Visa in 2007 that their programs were non-compliant, although the restaurants were not aware of this when they signed for the Aloha system. The restaurants say that this contributed to customers having their identities stolen, which led to Visa, MasterCard and the card processing companies invoking their contracts and directly penalised them. The plaintiffs say they were "hit with huge fines", required to pay for forensic audits to trace the problems, reimburse fraud costs to the credit card companies and pay for re-issuance of credit cards to affected individuals.

The suit is seeking compensation to repay the penalties levied by the credit card companies and costs to track down and repair the POS system problems.

Says Hoff: "When major players in the hospitality industry such as Radiant Systems and its distributors say their software and business practices are PCI-DSS compliant, our clients trust them. When those claims of compliance and proper security practices turn out to be false, the restaurants are left to suffer



huge financial losses due to financial penalties imposed by the credit card companies. Their reputations are tarnished. We're determined not to let Radiant and Computer World simply walk away from their responsibilities."

(Source: *Finextra*, December 2009)

## **European pre-paid market poised for growth - First Data**

The pre-paid card market is set to see significant growth in the UK, Austria, Germany and Italy over the next 12 months as people look to control their spending, according to research from First Data.

The vendor, which commissioned Auriemma Consulting to poll over 500 people in each country, says there is increasing awareness of, and interest in, gift, general spending, travel, youth and remittance pre-paid cards.

Germany and Austria are considered to be embryonic pre-paid markets, the UK slightly more established and Italy the most advanced in Europe.

In Italy 66% of respondents have purchased a pre-paid card in the last 12 months and 73% expect to over the next year. In the UK only 21% have bought one in the last year but three times as many - 63% - expect to over the next 12 months.

In Germany and Austria around a quarter have acquired a pre-paid card in the last year, with nearly half planning to buy one in the next 12 months.

Of all respondents, 55% see benefit in using a pre-paid card to help control spending and manage their money. However, the survey shows the cards do not only appeal to those on lower incomes without bank accounts - 57% of those who expect to buy a pre-paid card within the next 12 months describe themselves as creditworthy consumers with incomes above EUR40,000.

There are differences between countries in the way customers want to buy pre-paid cards. In Germany, banks are the preferred purchase channel for all types except gift cards. In the UK, three quarters of respondents cite supermarkets as the preferred distribution channel for all except travel cards. In Italy, the majority of consumers surveyed would look to purchase pre-paid cards at a post office, which already dominates the market.

Around two thirds want to receive information about pre-paid offerings through online media and 46% would like to be able to purchase gift cards via the Web.

The survey also shows that over a third of people would be willing to pay additional fees in order to personalise a prepaid gift card with a customised colour scheme, picture or message, offering a potentially lucrative option for banks and retailers.

Lisa Walker, head, pre-paid, First Data, international business, says: "There is an important opportunity for financial institutions to use their compliance and regulatory expertise in this area and partner with retailers who offer value through their brand and as a load and distribution channel. Whilst consumers are looking to the Internet to learn more about prepaid cards, online channels should currently only be regarded as a supplement to bricks and mortar outlets."

(Source: *Finextra*, December 2009)

## **Scheme news**

### **Euro Alliance of Payment Schemes in now open to individual institutions**

EAPS, the European card scheme of schemes for pan European ATM and POS transactions, has announced that it is widening membership to individual organisations. The move will provide individual participants, such as acquirers, with the option of accepting a growing number of EAPS cards within Europe even if they are not cobranded with the international payments schemes. This offers the potential for increased transaction volumes.

With EAPS participation opened beyond European domestic payment schemes, the move will be particularly beneficial for acquirers in European countries where no domestic payment scheme exists, as it will allow them to independently engage with EAPS to offer cross border transactions.

Ugo Bechis, Chairman of the EAPS Board and Head of SEPA-Payments at UBI Banca, comments:

“On behalf of EAPS I would like to extend the warmest participation invite to individual institutions seeking a real and proven European alternative to other card schemes. Not only is EAPS EU driven – with European issues such as SEPA compliance at its core – but it offers a simple and cost effective way for individual payment service providers, such as acquirers, to increase the relevance of their existing ATM and POS acquiring across European boundaries.

We look forward to welcoming these new members as we continue to drive EAPS’ success in becoming the leading European payment card scheme.”

Ralf-Christoph Arnoldt, Head of Payments at the German Association of Cooperative Banks, adds: “The opening of EAPS’ membership to individual organisations is a very important milestone for the European payments industry as it provides them with greater choice and control. The opening of EAPS to acquirers offers the opportunity for unprecedented acceptance of the increasing number of our girocard/EAPS cards, which are not co-branded.

In addition to increasing acceptance from a broader card base, this development will allow them to benefit from very low net costs, low implementation effort and have the ability to offer a variety of card products to merchants.”

Currently owned and operated by six European domestic payment schemes\*, EAPS was launched in 2007 to unite independent domestic card schemes throughout Europe under a single European scheme of schemes. It provides a European alternative to the international payment schemes.

Under the new scope of participation, card schemes, banks and payment institutions compliant with European requirements and the SEPA Cards Framework of the European Payments Council are encouraged to join to benefit from new business opportunities.

*(Source: EAPS, December 2009)*

## **Citi to sell Diners Club North American business to BMO**

Citi has signed a definitive agreement to sell its Diners Club North America card business to Bank of Montreal (BMO). Financial terms were not disclosed.

Citi says the sale will reduce its assets by approximately \$1 billion and will not have a material impact on income or capital ratios.

The Diners Club unit is part of Citi Holdings, the entity created to hold businesses the bank, part owned by the US government, is looking to sell or wind down.

Says the bank in a statement: "The sale of this business is consistent with Citi's strategy to optimise the assets and businesses within Citi Holdings while working to generate long-term profitability and growth from Citicorp, which comprises its core franchise."

The deal gives BMO exclusive rights to issue Diners Club cards to corporate and professional clients in the US and Canada. It more than double BMO's overall corporate card business and represents net receivables of almost \$1 billion and approximately \$7.8 billion in card transactions.

Frank Techar, president and CEO, personal and commercial banking, BMO Bank of Montreal, says:

"The Diners Club North American franchise brings new card members to our company, provides attractive additional options for our existing customers, and makes us an even more compelling choice in the market for prospective commercial customers in Canada and the United States."

The acquisition, subject to certain closing conditions including regulatory approval, is anticipated to close in March.

Last year Citi signed a deal to sell the Diners Club International card payments network to Discover Financial Services in a deal worth \$165 million. This September it agreed to sell its Portuguese credit

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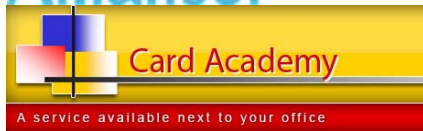
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card business to Barclays. The US bank has also offloaded its 17% stake in Brazilian card payment processor Redecard.

*(Source: Finextra, December 2009)*

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