

CARDS

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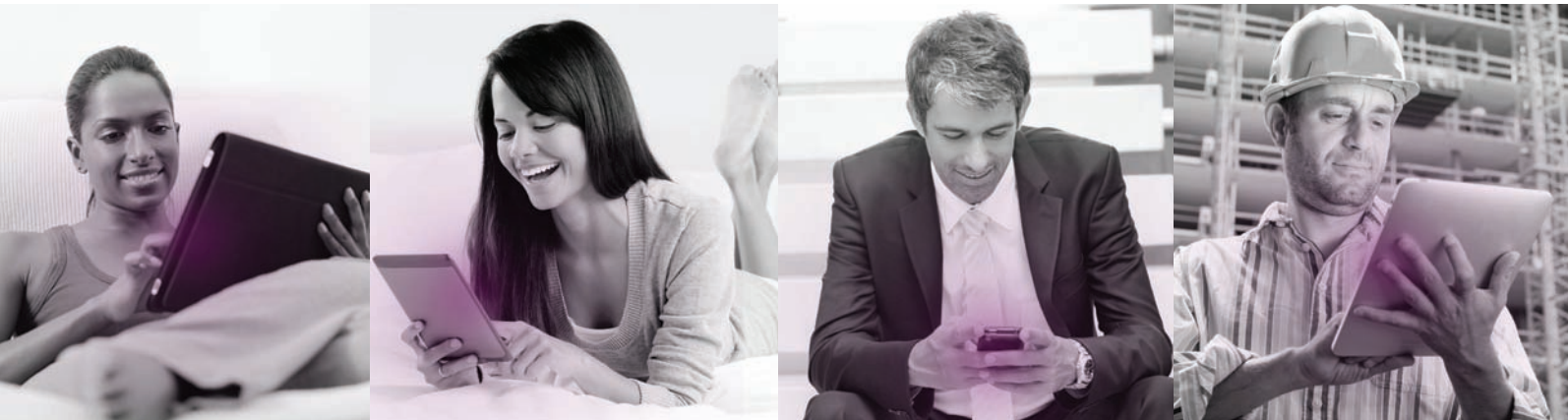
Prepaid Middle East Conference 2015

- PREVIEW: PPME 2015
- ANALYSIS: CURRENT ACCOUNTS
 - REVIEW: PLASTIC CARDS
 - GUEST COMMENT: PCI DSS

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We provide a ready alternative to internally developed solutions, enabling our clients with a faster route to market, expertise in managing the complexity of multiple devices and operating systems, and a constantly evolving solution.

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EDITOR'S LETTER

\$8.6bn bill for EMV; and still no PIN

The US has set an October target for the transition to chip but despite a forecast bill of \$8.6bn, US banks and card issuers will not issue personal identification numbers (PINs) with new credit cards.

Instead, US issuers will continue to rely on cardholders signing at the point of sale.

The reason: in a word, cost.

In the EU, we have been used to chip and PIN for as long as most of us of a certain age can remember: at a rough guess, circa 20 years.

Quite why the US issuers are adopting chip without PIN seems at first glance to be questionable. If they were unconvinced about the security benefits of chip and PIN to justify the necessary investment, why not adopt a more up to date security technology such as point-to-point encryption.

It seems a safeish bet that the introduction of chipped cards will slash credit card fraud at point of sale but on the other hand, online fraud will rise.

Aite has forecast that US online card frauds

will more than double to \$6.6bn from \$3.3bn between 2015 and 2018.

The project involves the setting up of more than 15 million payment terminals that can read chips at a cost of not far off \$7bn. To that figure you can add almost \$1.5bn for banks to issue new cards and \$500m to update ATMs and it starts to beg the question: at this kind of investment, why not aim for a state of the art solution and not European-security lite?

Contactless on the rise but work to be done outside London.

News that the spending limit for contactless is to be raised to £30 from £20 next September cannot help but accelerate the number of contactless transactions.

When contactless was first introduced in 2007, the limit was £10.

UK transactions more than tripled last year, from payments worth £653m in 2013, to £2.32bn in 2014.

Douglas Blakey

Douglas.Blakey@uk.timetric.com



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Editor: Douglas Blakey
 Tel: +44 (0)207 406 6523
 Email: douglas.blakey@timetric.com

Senior Reporter: Anna Milne
 Tel: +44 (0)207 406 6701
 Email: anna.milne@uk.timetric.com

Reporter: Patrick Brusnahan
 Tel: +44 (0)207 406 6526
 Email: patrick.brusnahan@uk.timetric.com

Asia Editorial: Sruti Rao
 Tel: +65 6383 4688
 Email: sruti.rao@timetric.com.sg

Group Publisher: Ameet Phadnis
 Tel: +44 (0)207 406 6561
 Email: ameer.phadnis@timetric.com

Subeditors: Nick Midgley, Kev Walsh

Director of Events: Ray Giddings
 Tel: +44 (0)203 096 2585
 Email: ray.giddings@timetric.com

Head of Subscriptions: Sharon Howley
 Tel: +44 (0)203 096 2636
 Email: sharon.howley@uk.timetric.com

Sales Executive: Alexander Koidis
 Tel: +44 (0)203 096 2586
 Email: alexander.koidis@uk.timetric.com

Customer Services:
 Tel: +44 (0)203 096 2636
 or +44 (0)203 096 2622
 Email: customer.services@uk.timetric.com

For more information on Timetric, visit our website at: timetric.com. As a subscriber, you are automatically entitled to online access to *Electronic Payments International*. For more information, please telephone +44 (0)20 7406 6536 or email customer.services@timetric.com

London Office
 5th Floor,
 Farringdon Place,
 20 Farringdon Road,
 London, EC1M 3AP

Asia Office
 1 Finlayson Green, #09-01
 Singapore 049246
 Tel: +65 6383 4688
 Fax: +65 6383 5433
 Email: asiapacific@timetric.com.sg

Tap, tap and away

If there's one sure bet for 2015, it's that contactless will become an increasingly bigger success story. **Anna Milne** comments

UK card expenditure statistics: December 2014

Debit cards out-spend credit cards in the festive flourish. Debit card spending grew by 7.2% year-on-year in December to £34.5bn (\$53bn), while credit card spending grew far slower at 4.4% to £14.6bn.

The number of card transactions topped one billion for the fifth month in a row. Debit cards made up over three-quarters (77%) of transactions with 806 million purchases, while credit cards were used for 244 million transactions.

Contactless payments jumped by 25.8% between November and December up to £380.8m, highlighting the rise in the use of cards, instead of cash, for small payments. The debit and credit card share of total retail sales was 75.1% in December

MasterCard has reported various rises in countries across Europe for contactless payments, year-on-year, and states that it anticipates that over 70% of the world's POS terminals will be NFC-ready in 2019, up from 28% in 2014.

The Netherlands was the quickest growing contactless country in Europe during the quarter, reaching one million transactions per month, eight times more than in the second quarter of the same year.

The UK Cards Association also announced that contactless payments year-on-year had increased by 255%. The Transport for London contactless initiative gave the payment method a massive leg-up.

Barclays' CEO of personal banking said his customers' contactless usage increased by roughly 80% in the first week of the roll out. A further leg-up, and one which will target the crucial market, local independent retailers, will come in the form of British soap appearances later in the year thanks to a deal struck between ITV and Visa.

Do not underestimate the power of British soaps. It is well documented that the electricity surge down to soap watchers boiling the kettle at the end or during the ad breaks of soaps is so large that backup power stations have to go on standby across the country, and additional power is made available in France in case the UK grid can't cope.

Small retailers need to adopt this, it will encourage spend as people realise how fast and convenient it is. And the speed of transactions will increase footfall as people may be more inclined to nip in, en route to catching a train, for example. And contactless could save them money on Chip and PIN fees.

Some newsagents are complaining of ailing footfall in London since the contactless Transport for London roll-out. This could be the thing to bring a few more customers in.

And while the majority of the UK's small shop owners may not watch the nation's soaps, it is a safe bet that a great many of their customers do and time will tell whether they start expecting it. My bet is they will. ■

Biometric security

The latest news from RBS and NatWest spells great news for the mobile banking industry. **Stephen Keenan** comments

Banks drive industry security with mobile phone biometrics

The news that RBS and NatWest are introducing fingerprint authentication to their mobile banking offerings was a monumental step forward for the industry in improving online security of its services.

Lost and stolen passwords remain the single biggest way systems are compromised. According to the Verizon 2014 Data Breach Investigations Report, two out of three data breaches are attributable to lost or stolen user names and passwords, or both. We continue to see user names and passwords fail as a secure way to log in, no matter how complex the password.

Biometrics offers a great alternative to authenticate individuals. The reasoning is simple: everyone has a unique biological identity, so apply it to cyberspace to establish trust. Fingerprint biometrics usually afford the easiest user interface – simply place your index finger or thumb on a reader.

Historically, the primary challenge with tying a biometric to a cyber-identity has been the cost associated with the additional 'read' device; especially on the scale that would be needed to equip all of a bank's online and mobile banking customers.

However, the evolution of smart devices and systems like Apple's Touch ID has significantly reduced this barrier. Consumers can now use a device they already have to perform the biometric reading.

However, biometrics should not be used in isolation, and should instead contribute to what's called a "multifactor" authentication scheme, as this can vastly improve identity proofing by pairing "something you know" such as a username and password combination with "something you are", making it much more difficult for a criminal to appropriate.

Here, the user would use a username/password/PIN combination and then be asked to use a biometric, such as a fingerprint. If the authentication fails to establish trust using this combination, the user would be asked to authenticate utilising a previously registered second form factor. This could be the person's mobile device with a securely loaded one-time password generator. Indeed, many banks have already rolled out this form of authentication.

There are several other technologies becoming reliable enough to be viable alternatives, such as asking for a passphrase, essentially establishing a question and corresponding challenge response. The software verifies the accuracy of the answer, as well as determining the speed between each letter being typed, and other variables.

The more the user interacts with the biometric system, the more accurate it becomes. Another method is utilising an individual's cognitive abilities, for example, presenting a set of pictures and asking the user to choose the combination that only they would know.

Whichever way the industry moves next, this news is an important step in the journey to strengthening online identity and authentication in the banking industry. ■

REGULATION

New York's Attorney General introduces new payroll card law to protect workers' rights

New York Attorney General Eric Schneiderman has introduced new legislation to regulate the use of payroll cards, and protect workers' rights when they are accessing their wages.

The new act will clarify ambiguities in the law and offer a convenient and beneficial way for workers to access their pay via the payroll cards.

The Attorney General's Payroll Card Act

requires employers to disclose payroll card fees clearly, and restricts certain fees.

Schneiderman said: "While payroll cards can be helpful for employees without bank accounts, programs often impose fees that chip away at people's hard-earned wages.

"The Payroll Card Act will ensure workers have free and clear access to their wages, while providing clarity to employers about how to offer payroll cards in compliance

with the law."

The interim director for The Retail Action Project, Darrah Sipe, said: "Many retail workers sign up for these cards upon hiring without knowing they can incur fees for withdrawing money at the wrong ATM or by requesting a paper statement.

Workers should have an informed choice in how they receive the wages they have worked hard to earn." ■

PRODUCTS

JetBlue to ditch Amex

JetBlue Airways, the American low-cost airline, has decided to end its co-branded credit cards partnership with American Express that began in 2005.

Reports are circulating that the airline has reached a new credit card agreement with Barclays and MasterCard.

According to Bloomberg, the termination of the deal with Amex and the formation of a new agreement with other firms is in line with the airline's moves to alter its fare structure, including adding a check-in baggage fee for customers buying the cheapest tickets.

The ending of the JetBlue contract, following on from the termination of Amex's exclusive card partnership with Costco, may well have contributed to a decline in the card giant's recent share price. ■

DIGITAL

Visa introduces mobile location service to reduce card purchase declines

Visa has launched a new mobile location confirmation service to reduce purchase declines often triggered when consumers travel outside their local area.

Visa Mobile Location Confirmation will utilise real-time, geolocation technology to predict whether account holders or unauthorised users are making payments on a Visa account, thereby reducing the likelihood of fraud.

The service claims to offer greater intelligence to financial institutions when approving transactions, reducing declined transactions by as much as 30%, impacting millions of transactions annually, and improving the experience for cardholders, merchants and financial institutions.

Visa will work in collaboration with

Finsphere Corporation, a geospatial analysis provider, to acquire an analysis of the account holder's device location data before approving a transaction.

The service, initially being rolled out to the US card-issuing financial institutions in April, will be available to cardholders via the card-issuing bank's mobile banking app.

Visa senior vice-president of risk products and business intelligence Mark Nelsen said: "By matching the location of the cardholder through a cell phone or other mobile device, to the location of the purchase, Visa's new service will enable banks to feel more confident about authorising a transaction that might otherwise have been declined due to suspicion of fraud." ■

SECURITY

MasterCard invests in cybersecurity technology

MasterCard has unveiled plans to invest more than \$20m in cybersecurity technology enhancements to secure payment transactions for its cardholders, merchants and issuing banks.

MasterCard Safety Net, to be launched in the US this spring, will provide an independent layer of security on top of the tools and policies of financial institutions, by monitoring and blocking specific transac-

tions based on selected criteria.

MasterCard, in association with First Tech Federal Credit Union, will introduce a pilot programme to enable consumers to authenticate and verify their transactions using a combination of biometrics, for example, facial and voice recognition and fingerprint matching.

MasterCard president of North American markets Chris McWilton said: "These new

activities will help us continue to deliver the tools and solutions that instil peace of mind by protecting each transaction that crosses our network.

"While progress is being made with the move to EMV and mobile payments, our continued investments reinforce the efforts we are taking to protect the payments system for cardholders, merchants and issuers." ■

PRODUCTS

Nearly half of Canadians have credit card debt

BMO Financial Group, established as Bank of Montreal in 1817, has released its 2015 *Credit Card Report*. It reveals that 46% of Canadian credit card holders carry credit card debt.

According to the survey conducted by Pollara, 30% of cardholders don't pay their credit card bill every month, while 28% entered the New

Year with an increased credit card debt load, amounting to an average of \$1,192.

The poll examined credit card usage and behaviour among Canadian cardholders heading into 2015, and found that 52% pay for the majority of their purchases using credit cards, while 30% carry a monthly balance and 51% pay off their entire credit card

balance every month.

The poll also revealed that 26% of the cardholders are often in a cycle of paying off their credit card with all available funds, incurring additional debt to pay for other expenses.

BMO Bank of Montreal managing director of North American retail payments Nick Mastromarco said: "Utilising a

credit card as a payment tool as opposed to a borrowing tool is crucial to managing household finances and ensuring households are living within their means.

"Working with a financial planner to build a comprehensive budget that includes monthly spending habits and savings goals can help Canadians stay on the right track." ■

DIGITAL

247exchange supports bitcoin

247exchange, an InterMoney Exchange company based in the US, has added credit and debit cards as a withdrawal method to simplify shopping with Bitcoin.

The feature will be connected with Visa and MasterCard issuers and will support prepaid and charge cards as well as providing the users with the option to choose the currency.

The service, which permits selling bitcoin for fiat money, will allow paying bills with bitcoin and enables customers to repay loans and transfer money to friends and relatives using bitcoins.

Through the exchange option, bitcoin users will be able to make online and offline purchases with their cards around the world and receive cash in ATMs in over three million locations worldwide.

InterMoney Exchange marketing director Andrey Vereshchagin said: "We already offered our customers a solid choice of how to pay for bitcoins.

"And now we're also expanding withdrawal options, because our mission is to create and provide the new standard of digital currency exchange service all over the world – fast, convenient, secure and available for everyone." ■

PRODUCTS

Ten transactions a second as UK embraces contactless

The UK Cards Association has revealed spending on contactless cards has reached £2.32bn (\$3.6bn) in 2014, with 10 contactless transactions taking place every second in the UK.

The annual figures for 2014 shows there are 58 million contactless cards, 36.9 million debit cards and 21.2 million credit or charge cards in circulation in the UK resulting in a 52.2% rise in volume from December 2013.

The total number of contactless transactions, which use chip and PIN encryption

technology, in the UK has surged from 100.4 million in 2013 to 319.2 million in 2014.

The UK Cards Association head of policy Richard Koch said: "Contactless has now firmly stepped into the mainstream.

"With usage soaring every month last year, we've seen people flocking to contactless payments as they switch away from cash. For retailers, contactless means quicker queues at the tills and greater convenience for their customers." ■

REGULATION

Card giants return to Crimea

Visa and MasterCard have reportedly decided to resume payment card services in Crimea in April after the transfer of transactions to Russia's National Payment Card System processing centre.

The US financial services giants halted card services in the region in December 2014 following the sanctions against Russia.

The move will enable Visa and MasterCard cardholders to take money from their accounts and conduct transactions inside Russia.

According to a report by Russia Beyond The Headlines, Crimean residents will initially be allowed to pay or withdraw money from Visa and MasterCard cards only in the

offices of the banks that issued the cards.

Cards, issued by Sberbank and other large Russian banks that have no offices in Crimea, will not be supported in the region and cardholders will have to leave the peninsula to transact with their cards.

State Duma financial committee deputy head Anatoly Aksakov said in a press conference in Simferopol: "A unified Russian transaction processing centre will begin functioning in April. All transactions will be processed by our centre.

"America won't even see it and will not be able to block anything. Russian bank cards, Ukrainian, German, American, Japanese, any cards, there will be no problem with that." ■

DIGITAL

Doha Bank offers Qataris mobile transactions

Doha Bank has introduced a new payment feature offering residents of Qatar the option to make payments on mobile websites using an ATM or debit card.

The debit card payment gateway, which meets the safety standards mandated by the Qatar Central Bank, has been initially demonstrated with the bank's partner Q-Tickets movie ticketing platform and will

accept debit cards issued by any bank in Qatar.

Since credit card penetration is low compared to debit and ATM cards in the region due to various eligibility factors, the service will benefit merchants facilitating the acceptance of payments from anywhere across the country.

Doha Bank head of retail banking Suresh Bajpai said: "Customers can now complete

their mobile payments using their debit cards. People are rapidly adopting smartphones and tablets as their preferred medium of accessing the internet and making payments, and we believe in serving them through these channels.

"This service gives people of all income brackets the ability to purchase their tickets online, conveniently from wherever they are." ■

STRATEGY

Bank of Israel reduces credit card and other fees

The central bank of Israel has amended its banking rules to reduce the number of fees collected from customers of the banking corporations.

The amendment will set out a uniform fee schedule for operational services provided by the credit card companies for payment card transactions.

The new regulations will not allow a bank to charge a transaction fee for immediate debiting through a debit card on the direct channel, in addition to removing the deferred payment fee for new transactions made in payments on a payment card.

The amendment will permit the banks to charge a fee for producing confirmation of ownership of a bank account after the second confirmation in a year, but the charge for transferring funds in real-time through the Zahav system up to a value of NIS1m (\$254,000) will be eliminated.

Banks supervisor David Zaken said: "The Banking Supervision Department is continuing to pursue the reduction or elimination of fees and ways to simplify them.

"Fees that are an impediment to competition or a market failure have been cancelled, with the aim of simplifying the banking service products, increasing transparency to the customer, particularly households and small businesses and increasing customers' ability to compare." ■

REGULATION

FCA agrees compensation for mis-sold card insurance

The UK's Financial Conduct Authority (FCA) has signed an agreement with Affinion International and 11 high street banks and credit card issuers, allowing customers to claim compensation for being sold unnecessary insurance policies.

The policies were marketed under names such as Card Protection, Sentinel, Sentinel Gold, Sentinel Protection, Sentinel Excel and Safe and Secure Plus.

The policies were run by Affinion and sold by banks and credit card firms.

The banks and credit card issuers involved in the scheme are AIB Group, Barclays Bank, Capital One, Clydesdale Bank, HSBC Bank, Lloyds Bank, Northern Bank, Santander, Tesco Personal Finance, the Co-operative Bank, and Royal Bank of Scotland.

One element of the insurance covered the loss or theft of customers' bank cards.

According to the FCA: "This was unnecessary because the customer's card issuer was typically responsible for any transactions after the cards were reported as being lost or stolen and, in the period before reporting the matter, customers were only liable for unauthorised transactions in limited circumstances.

"The bank or card issuer usually covered customers for anything over the first £50 if transactions took place before the card was reported missing."

Impacted customers will be sent a letter in April or May, and will be asked if they wish to vote in favour of the compensation scheme. ■

PRODUCTS

NMB to introduce chip-based MasterCard debit cards

The National Microfinance Bank (NMB), a commercial bank in Tanzania, plans to launch a chip-based MasterCard payment card, replacing magnetic stripe debit cards.

The move will form part of the lender's efforts to enable the use of Europay, MasterCard and Visa (EMV) technology to create a secure payments system and prevent card data breaches.

The MasterCard debit cards will be introduced within next two months after NMB modifies its ATMs and point of sale terminals

to meet EMV standards.

The cards will feature MasterCard's contactless technology that will allow consumers to make fast and secure payments in quick payment environments like taxis, buses, major retailers, grocery stores and fuel stations.

NMB acting CEO Tom Borghols said: "We have identified the risks and we are going to work them out, but even before introducing the EMV technologies, surveillance cameras helped to lower ATM stealing." ■



Prepaid Middle East Summit and Awards 2015

Cards International is travelling to Dubai to host the annual Prepaid Middle East Summit and Awards to be held at the Westin Dubai Mina Seyahi on 18 March. Here is a preview of some of the companies that will be making contributions and presentations at the event

Prepaid Middle East 2015 Award categories

Innovation- Rewards & Loyalty

Innovation- Product

Marketing Campaign- Best Use of Segmentation

Marketing Campaign

Open Loop

Gift/Incentive

Prepaid Service Provider

Corporate/Government Programme

Prepaid Mobile App and /or Wallet

Cards International Financial Inclusion Award

two main concepts are the 80-20 rule and the fact that loyalty is earned.

The customer starts their fun journey as a ‘Challenger’, and then upgrades to ‘Champion’, and onwards to ‘Hero’.

The company partnered with Visa International for its Champion and Hero cards, whereby they double as Visa prepaid cards. Youth and young adults enjoy the numerous benefits of the Roadster Visa prepaid card, as it offers the combined advantages of:

- Global acceptance,
- Controlled spending,
- Quick and easy money loading,
- Shopping online,
- Mobile payment and
- It’s just a card, not a bank account.

FINANCIAL INCLUSION

Entrust Datacard

In 2014, India’s Prime Minister Narendra Modi launched a financial inclusion plan to provide a bank account to every Indian household, also known as the Indian Prime Minister Financial Inclusion Plan or ‘Pradhan Mantri Jan-Dhan Yojana’.

This plan has now become one of the largest worldwide rollouts in the past year as the country is helping provide financial independence to unbanked Indians to ensure access to financial services. This includes including banking, savings and deposit accounts, remittance, credit, insurance and pensions. Now, thanks to this programme, most of India’s population is included in the banking system, which is having a positive effect on the overall economic growth in India.

Launched on 24 August, banks were given a deadline to open 100 million accounts by 26 January. It is currently the world’s largest financial inclusion initiative that has opened this number of accounts in such a short time. This has also secured it a place in the *Guinness World Records*.

GIFT/INCENTIVE

Roadster Diner – CSCBank SAL

First launched in Lebanon in 1998, Roadster Diner is an American diner-themed restaurant aiming to deliver an experience to the Lebanese market where customers from all ages, with a focus on youth, can enjoy themselves in a ‘homely’ atmosphere with amazing food.

Roadster Diner now has 13 dine-in outlets, four delivery centres, holding the biggest market share in the casual dining industry in Lebanon, serving more than 3.2 million consumers.

Its first reward programme was launched in 2012. The company’s Rd Lover Reward programme was based on a series of draws, which distributed rewards to hundreds of Rd Lovers. Capitalising on its valuable database, the team developed a loyalty programme which it describes as a “value-added, tier-based, cashback card that allows Roadster lovers to benefit from their purchases in many ways”. Its

FINANCIAL INCLUSION AWARD**Majid Al Futtaim Finance – Sharjah Charity Foundation Reloadable Prepaid Card Programme**

Majid Al Futtaim Finance was approached by Sharjah Charity Foundation, managed by the government of Sharjah, which was looking for a solution to help it transfer financial support on a monthly basis to orphans they sponsor in the poorest parts of the MENA region.

This solution included:

- A reloadable prepaid card, specifically designed to meet the Foundation's needs;
- Convenient, flexible and secure operational services, as well as strict technology and security measures, as it had to be transferred across borders in a timely manner;
- An electronic system, which resulted in an efficient mechanism in terms of time and cost savings;
- Application of Majid Al Futtaim Finance's advanced technology and operational processes to allow the funds to be instantly loaded, based on the Foundation's instruction and can be withdrawn via ATMs near the child's home.

The cards were also personalised, so that each card carries the details of the sponsored child, as well as bearing the corporate identity of the Sharjah Charity Foundation. This service is free of charge.

The programme was hugely successful, making it much easier for the Sharjah Charity Foundation to continue its work, with an unbanked segment of society. A total of 11,000 cards were given to 11,000 orphans.

Together with Sharjah Charity Foundation, Majid Al Futtaim Finance managed to build a system that allowed the Foundation to access all the cards' accounts within the organisation and monitor the transfers, with continuous operational support from the Majid Al Futtaim Finance team.

INNOVATION - PRODUCT**Al Ahli Bank of Kuwait**

Al Ahli Bank of Kuwait (ABK) launched a co-branded special FIFA World Cup edition Visa Emirates Gold Prepaid Travel Card, in celebration of the 2014 FIFA World Cup. Customers who applied for the card received the chance to enter three draws to win quarter-final and semi-final packages (each for two people) that include Emirates air-tickets to Brazil, hotel accommodation and match tickets.

What made the co-branded Special FIFA World Cup edition Visa Emirates Gold Prepaid Travel Card different was ABK's collaboration with Emirates airlines. ABK offers the only prepaid card co-branded with Emirates in the world. No other banking institution offers an air miles reward programme in partnership with Emirates, with cardholders earning up to two Emirates Skywards Miles for every Kuwaiti dinar spent.

In addition, cardholders receive complementary travel insurance, a dedicated local merchant discount programme 'ABK Advantage', local and international cash withdrawal facilities, and various Visa services, promotions and global assistance services. The card is offered to both ABK and non-ABK customers, with the latest e-banking facilities and an online portal for accessing card statements and reload functions. Cardholders can control their funds from anywhere in the world, secured by technology.

Even after the World Cup finished – with a predictable win by Ger-

many, applications for the co-branded special edition Visa Emirates Gold Prepaid Travel Card kept coming in. The card was introduced in January 2014, and since its launch received plenty of attention, exceeding the bank's sales targets. A key indicator of the campaign's success was the significant percentage of applications coming from non-ABK banking customers.

INNOVATION - PRODUCT**United Bank For Africa Cameroon**

United Bank For Africa (UBA) Cameroon has developed the concept of a co-branded student ID Visa prepaid card, providing universities and their students a multifunctional Visa card.

The card is a student ID card with all the characteristics needed to identify students, their faculty, the academic year, and so on and the card is also a reloadable Visa prepaid card which can be used internationally (at ATMs, point of sale and in the internet). It's the first prepaid programme available in the francophone African countries.

UBA Cameroon has signed three partnerships with the three main universities in Cameroon in order to launch the Student UBA Visa Prepaid Card: the University of Douala, the University of Yaoundé I and the University of Yaoundé II.

Today, 50,000 cards have been issued and are now used by the students of the University of Douala. No fewer than 100,000 cards are under production for the University of Yaoundé 1 and the University of Yaoundé 2.

The key features of the card include:

- Reloadable – to receive money from parents, scholarships from the government etc;
- Card-to-card transfer – students can transfer money from their card to another student card used a web-based tool;



- SMS and email alerts – students receive a SMS alert and an email alert for each transaction;
- A dedicated website – an online tool is available for students to see a full statement of transactions, to change the PIN, or block the card;
- Benefits – discounts apply in some shops in Cameroon when payment is made with the card;
- Secured – EMV compliance with chip and PIN;
- The student’s picture is printed on the card;
- Barcode or QR code – to access some specific areas of the university.

COMMERCIAL BANK OF QATAR			
Campaign effectiveness			
Channels	Number of posts	Interaction	Reach
Facebook	4	3,757	82,959
Twitter	8	19	26,512
Google +	4	5	1,038
LinkedIn	2	30	28,145
Instagram	3	72	1,704
Total	21	3,883	140,358

Source: Commercial Bank of Qatar

- Achieve a 20% increase in sales of the product in the campaign period.

MARKETING CAMPAIGN

Commercial Bank of Qatar

Commercial Bank (CB) in partnership with Alfardan Exchange launched the first travel prepaid card in the region from last August. Having used the traditional advertising mediums of print and in-branch visibility during the launch phase, and to improve customer awareness and purchase intent, CB decided to test social media as an advertisement vehicle.

A three-week campaign targeting social media users in Qatar helped to reach a new audience and resulted in a 32% increase in new card sales during the promotion period.

The campaign objectives were:

- To communicate with the customer;
- To improve customer awareness;
- To improve purchase intent and incentivise customers to apply for the card;

PREPAID MOBILE APP AND/OR WALLET

Wave and transfer

Kuwait Finance House’s (KFH)’s wave and transfer service is a first of its kind for iOS and Android in Kuwait and the surrounding region.

This new service gives AI-Ousra prepaid card holders the advantage of transferring money via mobile devices easily, safely and instantly, and AI-Ousra says the service complies with the highest and most advanced international safety and quality standards.

AI-Ousra is a Visa prepaid card product with one main card and up to six prepaid supplementary cards, where the main cardholder is able to transfer funds to the supplementary cards accounts. Owners of these don’t necessarily need to have accounts at Kuwait Finance House (KFH). It offers the main cardholder the ability to issue cards in the names of spouse and children and, besides offering other local and international benefits.

The wave and transfer process is simple. AI-Ousra prepaid card primary holder sign-in to KFHOnline application and then choose





the 'Wave & Transfer' service from the menu. Secondly, the supplementary device opens the KFH online application and chooses the 'Wave' option from the main page. Thirdly, both devices are waved simultaneously within a range of five metres in order to let the primary device detect the supplementary device. And finally, the primary cardholder then registers and assigns the supplementary cardholder device to his or her prepaid account for the first time only. Wave together, select the beneficiary card, and put in the amount and transfer. Transfer is completed in seconds and the supplementary cardholder has the funds credited in his or her prepaid card account.

An SMS is also sent to the supplementary cardholder that the card has been credited with the transferred amount.

Commercial Bank of Qatar – The Alfardan Exchange Travel Card App

- Free of charge and can be downloaded within seconds on any smartphone device;
- Very user-friendly, allowing customers to manage their money on a 24/7 basis;
- Customers can check their available balance(s) by different currencies, view their transaction history, statements and purchases;
- The app provides instant access to the customer 'wallets' and the flexibility to transfer between currencies saves the hassle of visiting an Exchange House and avoids long queues;
- Customers can report their card lost or stolen and get it disabled instantly to avoid identity theft or fraud;
- Customer can find the nearest branch location for a top-up.

The Alfardan Travel Card App is an 'all-in-one' real-time application for customers to manage all their travel needs. ■

Last year's Prepaid Middle East Awards

Winners in red

PREPAID INNOVATION OF THE YEAR

Bayani RAK Bank
BLOM Bank
Kuwait Finance House
Majid Al Futtaim Finance

PREPAID MARKETING CAMPAIGN OF THE YEAR

Al Barid Bank
BLOM Bank
CBAO Groupe Attijariwafa Bank
Emirates NBD
Majid Al Futtaim Finance

OPEN LOOP PREPAID CARD PROGRAMME OF THE YEAR

Al Mawarid
C3 Card
Commerical Bank of Dubai
National Bank of Abu Dhabi

GIFT/INCENTIVE OPEN AND CLOSED LOOP PROGRAMME OF THE YEAR

Al Fardan Exchange
Dubai International Airport
Majid All Futtaim Finance
National Bank of Abu Dhabi

INDUSTRY PARTNER/VENDOR OF THE YEAR

C3 Card
FIS
Majid Al Futtaim Finance
Network International

ALTERNATIVE/EMERGING PREPAID PAYMENT SOLUTION

Bank Med
Majim Al Futtaim Finance
Maxbox Kiosk

INDUSTRY CONTRIBUTOR – INDIVIDUAL

Dr Ashraf Gamal – Egyptian Post Office
Julian Little – Majid Al Futtaim Finance
Rabih Sfeir – C3 Card

INDUSTRY CONTRIBUTOR – ORGANISATION

CBAO Groupe Attijariwafa Bank
Cairo Amman Bank Jordan
Jordan Kuwait Bank
Majid Al Futtaim Finance

EDITOR'S SPECIAL AWARD

Commercial Bank of Dubai

CARDS INTERNATIONAL AWARD FOR FINANCIAL INCLUSION

Al Barid Bank

World's first pan-European account aims for six million customers by 2020

ipagoo, launched by the Orwell Group, claims to be the first pan-European bank account, allowing customers to have the same current account in four European countries. Orwell Group CEO Carlos Sanchez wants six million customers by 2020, but is this feasible? **Patrick Brusnahan** asks

Launched this year by the London-based Orwell Group, whose financial products also include prepaid cards, *ipagoo* allows consumers to hold the same account across Europe. It's a 'pan-European' account in the UK, France, Spain and Italy, accessed with a mobile app and a debit card. Some of the features include instant cross-border transactions and cash management services. One of the highlights is the ability to make and receive payments in different currencies from a single online banking platform.

Orwell Group CEO Carlos Sanchez believes this new offering is something consumers cannot receive at banks. Talking to *RBI*, he says: "You might think banks such as HSBC or Barclays are pan-European, but those are just banking groups. Each bank in each country is an independent bank, even if they all share the same logo and policies. They are different legal entities. For the consumer, it means that if you need banking in more than one country, there are a number of relationships that you need to start. They are pan-European groups, but they are not pan-European banks. The service they provide is fragmented at a country level."

Fragmented model

Sanchez states that the typical banking model is also fragmented in a different manner – the cash management side versus the credit and savings side. In 2012, the Financial Services Authority's *Retail Conduct Risk Outlook* highlighted the 15 risks of financial services for retail clients and six of them were related to this conflict. This leads, in Sanchez's words, to a "natural tension between what you want from the bank and what the bank wants from you".

On what separates *ipagoo* from banks, Sanchez believes the banks are unable to offer what *ipagoo* offers due to a plethora of economic, government and regulatory pressure. He says: "The problem with the banks' model is that the credit and lending

activity has a lot of risk for the economy. The restrictions imposed on that activity by governments and regulators limit what the banks can do up to the borders of their country. Beyond that, they have to open another bank."

One of the best ways of describing his product, Sanchez says, is if one compares *ipagoo* being to banking what smartphones are to telecommunications. He expands: "Obviously, you don't need a smartphone



to make a phone call, but the smartphone offers you so much more. That's why people spend so much money having one. *ipagoo* is something that brings the level of functionality and flexibility and mass customisation that mobile phones now represent.

"With *ipagoo*, you have a world of convenience which people didn't even realise was available. The debit card adapts to your environment and you can change account or currencies.

"You can include family members on your account. There are alarms for expenditure, the ability to deny a direct debit and conditional payments.

"There's a long list of new features that people haven't experienced yet, because they haven't been offered them yet."

While this offering looks to be a valuable alternative, who's it aimed at? For many consumers, going abroad doesn't necessarily require opening a bank account. Doesn't opening a current account for a two-week holiday overseas seem a little excessive?

Sanchez responds: "Travellers will find the offering extremely compelling from the outset. Those are the customers we don't have to convince. Anyone we've talked to who has even a hint of an international life asks us when they can set up an account. There are 30 million Europeans living in a country other than their own, so the market is significant. That's 30 million, plus 2.5 million people changing countries every year. Europe is full of people with double, or even triple, national lives due to many reasons, whether that's work, family, retirement or whatever."

With a huge untapped market waiting to be leveraged, Sanchez has high expectations. Of the 30 million Europeans living in a different European country, he hopes six million of them will be using *ipagoo* in five years and he has set his sights on attracting 150,000 customers by the end of 2015. In addition, he aims to sign up 200,000 businesses as clients in the next five years as well.

Having launched in only four countries, a client base of six million in just five years seems a bold objective. This seems especially so when considering the competitive start-up market, where those even lasting five years are few and far between.

Sanchez has no such concerns. He says: "There are five countries which represent 80% of the migration in Europe. Those are the four we cover plus Germany, which is going to be active by the end of the year. Therefore, by the end of the year, we'll have 80% of the migration in Europe covered. The four countries we cover have a combined population of 250 million, with Germany it'll be 360 million."

While *ipagoo* remains pan-European for the foreseeable future, plans are much grander and it could end up pan-global. Sanchez concludes: "We're not going to stop at Europe. We have already started applications for outside Europe, in the Asia-Pacific region, and we will eventually go to the US and Canada as well." ■

Are we seeing the slow demise and eventual death of plastic?

Due to the rise of alternative digital and electronic payment services, seldom does a week go by without an industry expert predicting the end of cash as we know it. However, it might be plastic cards that are actually on the way out. **Patrick Brusnahan** reports

A new 'cashless' world is near the top of many industry experts' lists of predictions. From the increased use of digital wallets to the rise of ApplePay and other forms of social payment, many industry crystal ball gazers are claiming cash may soon be heading the same way as bank cheque books and roadside telephone kiosks.

In countries such as Sweden, four out of every five purchase are made electronically. According to UK-based Halifax, less than £18 (\$28) of every £100 spent by its customers is spent in cash.

Most cash usage has shifted onto cards, with the increasing popularity of EMV and NFC aiding matters. However, Sameet Gupta, head of Virtusa's business and operations for Europe, believes the card market may not last much longer and will be replaced with more electronic options. He tells *CI*: "In the next four to five years, depending on the success of products such as ApplePay, we'll see a mass adoption of these products.

"Newer banks are already going after this intentionally, so the old banks have to adapt and compete. They don't have a choice."

While cards are convenient for consumers, this is less the case for financial institutions, especially when considering the cost and resources needed to maintain the card system. Gupta says: "The cost of cards and the cost of people is very high. In an ideal world, why would you need 5,000 people processing and issuing cards? It's a lot of work.

"In addition, banks are putting huge amounts of money aside for regulatory fees. When banks are keeping all this money aside, where will they go to cut costs? They have to automate. Now the thought is: Why do we issue hard plastic cards when everyone now has a smartphone?

"Why can't I have a dynamic card in my phone which is highly secure? That cost is zero. What if I have a virtual dynamic credit card in my phone, which looks cool and, at the same time, cuts \$40m out of my costs? That's what's driving this."

In contrast, cards seem to be in a period of revival with the greater adaptation of NFC



or contactless payments. In the UK alone, there are 58 million contactless cards with 10 contactless transactions every second in the country. Surely, due to this, plastic is on the rise. Gupta concedes this, but adds that it might not be that way for much longer.

He says: "We conducted a survey across 12 cities and what came out was that 40% of respondents still want a credit card, but, interestingly, the demographic of that group was mostly 35-year-olds and older. The younger guys were absolutely fine with going into a retail bank or online and opening an account and ending up with a secure app they can open on their phone and use as a credit card. They don't have to wait four weeks for the card to arrive; they don't need to wait for a PIN. Perfect."

Similar to cash, cards will probably never disappear. Perhaps 'death' is hyperbole when discussing this topic. After all, the death of tellers was predicted as ATMs started becoming a part of the mainstream, and retail branches were supposed to wither away once online banking entered the market.

Gupta says: "It's a question of comfort. If you told me 20 years ago that I'd be able to do all of my transactions sitting on the train, I wouldn't have believed you. Yet, this is what we all do now. Everyone wants to do things better, faster and in a different way. Also, by giving the cool image of a new digital world, I'm exciting my millions of customers and enticing other to be my customers. All these

different factors are pushing it."

This future of digital overtaking other media looks likelier as each day goes by. Atom Bank, a purely digital and online bank is set to launch this year. Germany-based Fidor Bank, launched in 2013, is fully online as well – even going so far as the amount of 'likes' the bank receives on Facebook dictating its interest rates.

These examples, however, are few and far between. Gupta believes there's an amount of "scepticism" with the new completely online banks, but they are "breaking ground and the big banks, as much as they see this as a phenomenon, will have to compete with them".

There are some limitations. Movement might not be as quick due to regulatory measures and the financial industry being unable to keep pace with the technological side of the situation. Gupta says: "First, the EU has to agree on the tokenisation format. Secondly, not all of us can afford an iPhone 6. If the market is going to adopt, then every phone needs the ability to have NFC. It will happen; Apple has already made the first play."

Gupta concludes: "Everyone knows it's coming. Three of the banks I'm talking to have hired digital officers and they're young kids from the likes of Google or Amazon. They're not traditional technology guys who've been with six banks and know how to run a payment system." ■



Prepaid to lead cards sector by 2018

Lebanon has witnessed impressive cards sector growth in recent years driven by a surge in the popularity of prepaid cards – and the 2014 launch of contactless technology is providing a further boost

Lebanese payment cards (including debit, credit and charge cards) registered positive growth during the period from 2009-2013, recording a compound annual growth rate (CAGR) of 3.41%, increasing from 1.6 million in circulation in 2009 to 1.8 million by the end of 2013.

In terms of transaction value, payment cards registered LBP15.5trn (\$10.3bn) in 2013, a 12.07% increase in CAGR between 2009 and 2013. The introduction of improved card technology, rising consumer awareness of electronic payments, the adoption of advanced technologies such as PayWave and PayPass feature, EMV technology, and contactless cards all contributed towards the growth in payment cards.

In 2013, the average transaction value (ATV) in Lebanon was \$177.6, which was the fifth-highest in the Middle East and

North Africa (MENA) region. Kuwait recorded the highest ATV, with \$319.6, followed by the UAE (\$263.1), Oman (\$207.1) and Bahrain (\$185.3).

In terms of card penetration, Lebanon had the ninth-highest level of 0.4 cards per inhabitant. The highest was Iran (2.4), followed by the UAE (2), South Africa (1.3), Kuwait (1.3), Israel (1.1), Oman (1), Bahrain (0.8) and Saudi Arabia (0.7).

Lebanon ranked seventh among the other MENA countries in the frequency of use of payment cards, with 31.9 transactions per card. Israel recorded the highest frequency with 131.2, followed by Saudi Arabia (95.3), Kuwait (47.4), Iran (46.5), the UAE (43.1) and Nigeria (38.2).

Prepaid cards market has significant growth potential

The prepaid cards market is growing rap-

idly, and is expected to surpass debit, credit and charge cards in terms of the number of cards in circulation by 2018. In terms of the number of cards in circulation, the prepaid cards market in Lebanon increased, with 107,702 cards in circulation in 2013, which is anticipated to increase to 2.3 million cards by 2018.

In terms of transaction value, the prepaid cards market recorded a CAGR of 49.09% from 2009-2013. The value of open-loop prepaid card transactions increased at a CAGR of 53.68%, while closed-loop increased at a CAGR of 45.37%.

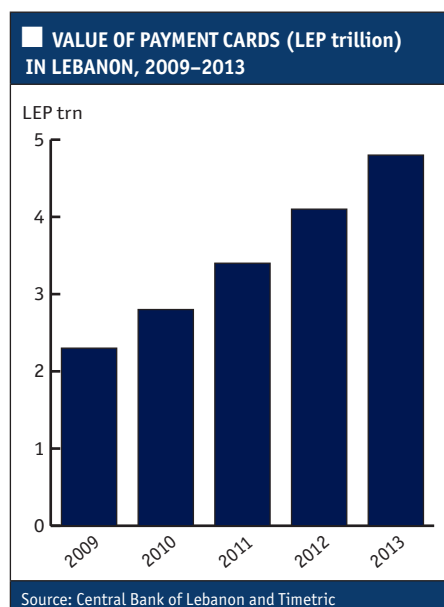
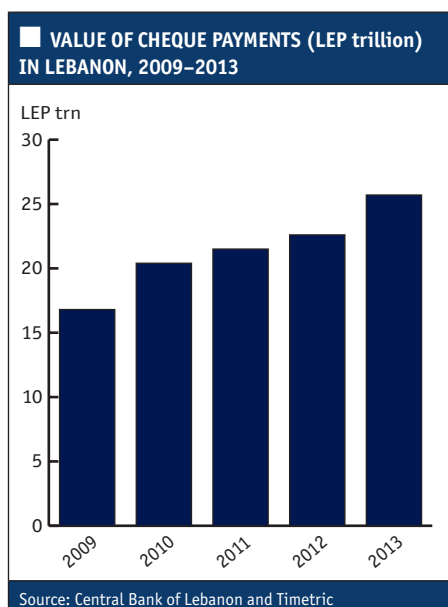
To promote such cards, Byblos Bank and BLOM Bank are offering cards at different prices ranging from LBP12,060 to LBP376,875, targeting the young population (from the age of 12 years) and regular internet surfers who prefer to make purchases online. These cards include offers such as the redemption of reward points that are attached to them.

Prepaid cards are also popular for the remittance facility. IRemit, a global remittance company, issues the I-remit Visa prepaid card which ensures faster and safer remittance facilities from Lebanon to beneficiaries in the Philippines.

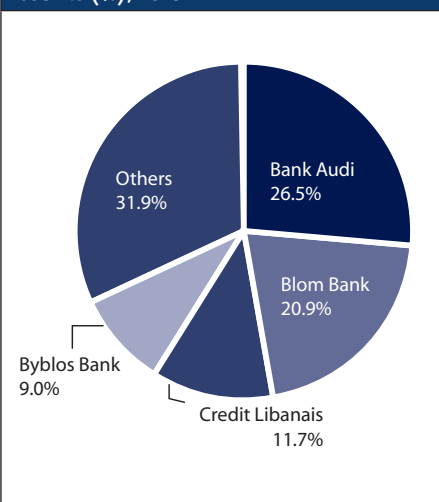
The card also offers facilities such as online payment for utility bills and online shopping.

Improving infrastructures to accelerate online transactions

In 2013, the Ministry of Telecommunications signed an agreement with Cyprus Telecommunications Authority (Cyta) to share 24% of cable capacity on Cyta's Alexandros international submarine cable subsystem. This allowed Lebanon to use an additional 700Gbps of bandwidth alongside the existing 200Gbps. This broadening of telecom-

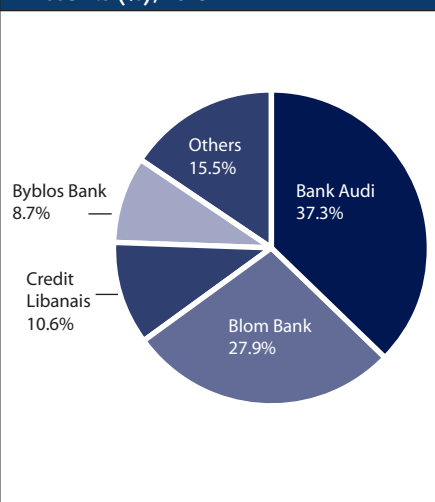


LEBANESE DEBIT CARDS CATEGORY SHARE BY ISSUERS (%), 2013



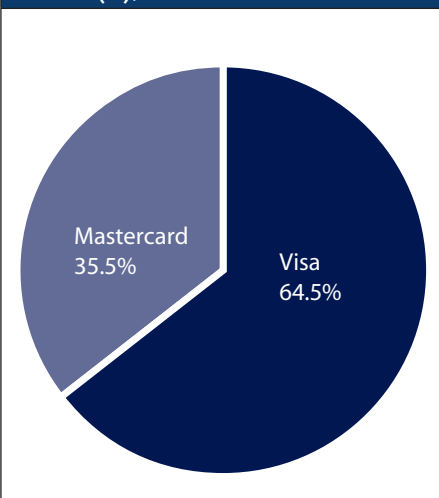
Source: Timetric

LEBANESE CREDIT CARDS CATEGORY SHARE BY ISSUERS (%), 2013



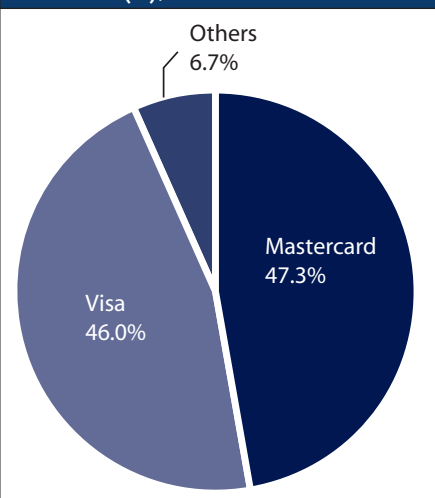
Source: Timetric

LEBANESE DEBIT CARDS CATEGORY SHARE BY SCHEMES (%), 2013



Source: Timetric

LEBANESE CREDIT CARDS CATEGORY SHARE BY SCHEMES (%), 2013



Source: Timetric

munication infrastructure is expected to reduce broadband costs and increase the volume of online transactions, thus facilitating card payments.

68.5% of the total Lebanese population is working class, who, as a group are more active on the internet. As the internet and mobile penetration rate increase, there's a strong inclination towards mobile devices and media usage, giving a platform for e-commerce companies to reach more potential customers. Growth in online shopping is expected to create opportunities for growth in the cards and payments industry.

Emergence of contactless technology

Smart cards with contactless technology features are an emerging trend across the

globe, and the same is true in Lebanon. Contactless technology was introduced to the country in association with Visa. Bank Audi and Visa launched PayWave contactless payment technology on 1 June last year, and the bank also issues cards with PayPass contactless features in association with MasterCard.

Similarly, contactless technology is being used for mobile payments. On 15 April last year, Bank Audi launched the Tap2Pay NFC Mobile Payment service, which allows mobile phone users to use their phone as a credit card. This was launched in partnership with MasterCard and the mobile operators Alfa and Touch.

E-commerce recorded significant growth during the period 2009-2013 due to rising online and mobile penetration, increasing

consumer confidence in online transactions and the country's increasing presence of online gateways. The increasing young and urban populations are more inclined towards the use of mobile devices, which provide an opportunity for e-commerce companies to reach a greater number of potential customers.

Banks are introducing e-commerce programmes which offer advantages to consumers and merchants that will help the e-payment method to grow in future. Bank Audi and Credit Libanais are the two banks in Lebanon that have introduced e-commerce programmes in partnership with the Net Commerce online payment gateway.

The Audi e-payment from Bank Audi is an internet gateway which provides merchants with a secure payment processing service. The eBLOM online payment gateway offered by BLOM Bank also offers services to customers.

Increased security measures for cards

Card fraud in Lebanon increased to LBP6bn in 2013. A few commercial banks have implemented advanced technologies such as EMV chip-based technology, Smart ATMs and Tap2Pay contactless feature to combat fraud. Bank Audi, for example, introduced PayWave technology in debit cards which have a contactless payment feature.

Introduction of cards targeting specific customer segments

To increase the card market, banks are focusing on a greater level of customer segmentation in an attempt to target specific consumer demographics. Banks are offering cards which are targeted at specific groups, such as frequent travellers, regular internet surfers and high net worth individuals (HNWIs). For HNWIs, Bank Audi, for instance, offers a Platinum and Eurozone card while Byblos Bank offers the World Elite MasterCard. The Ultimate Cedar Miles card is issued by Bank Audi for those who travel frequently.

Furthermore, there are cards such as MasterCard Shine and the Ladies First card, which both target female consumers, offering discounts on shopping, beauty treatment and health care.

The BLOM Shabeb and the University smart card target the young sector of society.

At a corporate level, these cards are effective for meeting a firm's purchasing needs with flexible repayment options. Such cards include MEA Visa Corporate cards, MasterCard Business and Visa Business credit card. ■

Cash remains king but payment cards show gentle growth

The Colombian market offers huge scope for cards growth in the next five years as government efforts to encourage financial inclusion and the growing popularity of prepaid cards gather pace

In 2013, Colombia surpassed Argentina to become the third-largest economy in Latin America and was the fourth-highest recipient of foreign direct investment, with \$17bn in the same year. Of the total population of 47.2 million, however, the unbanked population accounted for nearly 35% of the adult population in 2013, according to the Colombian Banking Association. The low banking penetration levels present banks and card issuers with growth potential.

Banks have stepped in to take advantage of this large untapped market, having introduced a number of cards targeting the unbanked population. The leading card issuers pushed for growth by offering improved products, services and marketing campaigns, while the government encouraged electronic payments through its financial inclusion plan. Consequently, Colombian payment cards registered healthy growth during the period 2009 to 2013 and are anticipated to continue the same trend over the period 2014 to 2018.

In terms of the number of cards in circulation, Colombian payment cards (including

debit and credit cards) registered growth from 2009 to 2013, recording a compound annual growth rate (CAGR) of 8.05%, and increasing from 22.6 million in 2009 to 30.8 million in 2013. Growth in the industry is expected to be driven by growth in the retail sector, an increasing demand for debit and credit cards, a better regulatory framework, an increasing market for online and mobile commerce, and a positive economic outlook.

In 2013, the average transaction value (ATV) in Colombia was \$121, which was the second-highest in Latin America. Peru recorded the highest ATV with \$144.3; Chile was in third place (\$82.4), followed by Venezuela (\$71.4), Brazil (\$69.6) and Argentina (\$50).

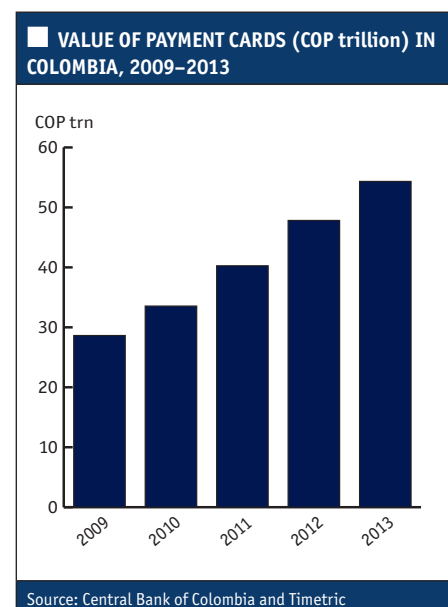
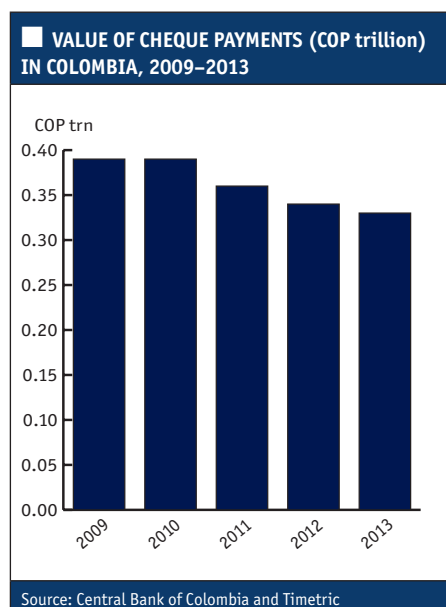
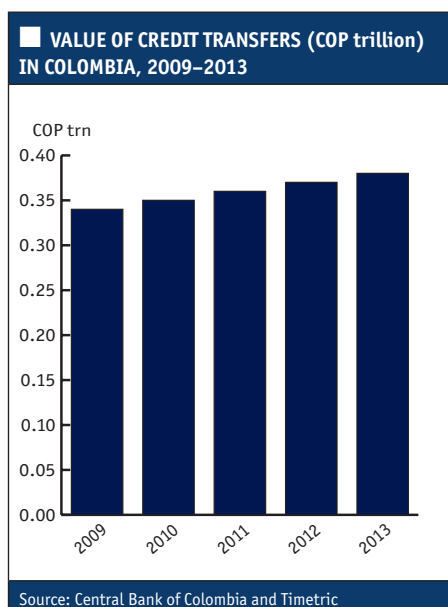
Similarly, in terms of card penetration, Colombia recorded 0.7 cards per inhabitant in 2013, while Brazil, Argentina, Chile, Venezuela and Peru recorded 2.6, 1.4, 1.3, 1.1 and 0.6 respectively.

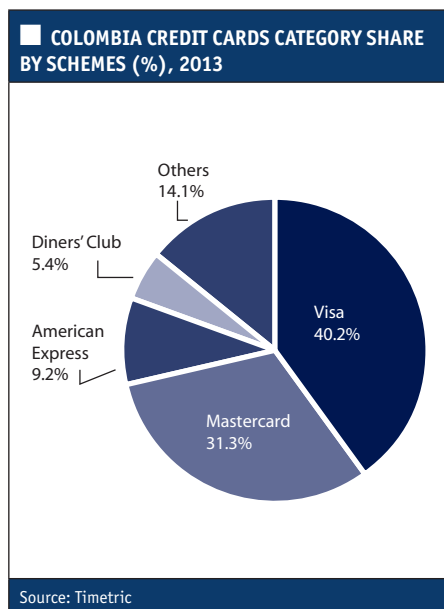
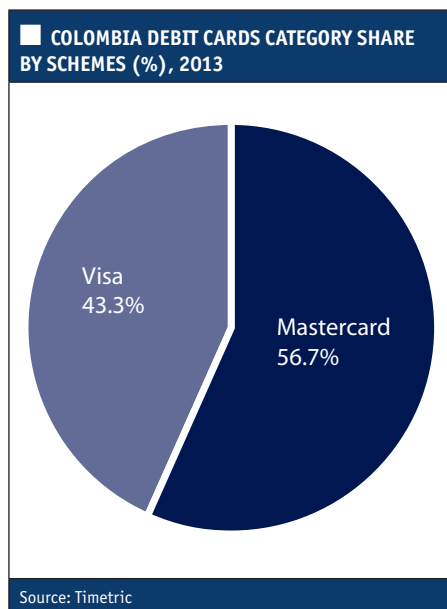
In terms of the frequency of use, Colombia recorded 28.7 transactions per card in 2013, while Venezuela, Argentina, Chile, Peru and Brazil recorded respective numbers of 61.2,

42.3, 37.6, 30.2 and 23.7.

Cash remained the most popular method of payment for the majority of Colombians between 2009 and 2013. This was primarily due to cash transactions being exempted from the financial transactions tax – cash withdrawals from banks are taxable, however.

Cash was primarily used for making small-value payments at retailers, for the payment of utility bills, taxes and transport fares. The use of cash was predominant especially among the rural population. This was primarily due to a lack of knowledge of other payment instruments, such as payment cards, or minimal to no access to banking infrastructure. As the government and banks began the process of providing basic financial access to this unbanked population, by expanding banking infrastructure such as ATMs, the appointment of correspondent agents, launching new branches, and making concentrated efforts to change payment habits of Colombian consumers, payment cards began to be gradually accepted, with their use consequently growing from 2009 to 2013.





Colombian payment cards grew both in terms of transaction value and volume from 2009 to 2013. In terms of transaction value, payment cards posted a CAGR of 10.1%, increasing from COP136.9trn (\$63.4bn) in 2009 to COP201.1trn in 2013. It is anticipated that this value will increase at a CAGR of 3.91% over the period from 2014 to 2018, to reach COP246.3trn.

In terms of transaction volume, payment cards increased from 636.2 million in 2009 to 885.2 million in 2013, a CAGR of 8.61%. This is expected to reach 1.1 billion transactions in 2018, growing at a CAGR of 4.1% from 2014 to 2018.

Government plan expected to support the growth of payment cards

Through its financial inclusion programme, the Colombian government is making efforts to reach the country's unbanked population. To increase banking penetration, it launched the La Banca de las Oportunidades (Opportunities Banking) policy in 2009. Under the policy, banks have been given permission to offer essential financial services in rural areas by appointing independent agents known as *corresponsales no bancarios* (correspondent agents). These agents include supermarkets, retail stores, pharmacy stores and petrol stations.

Furthermore, the government has identified access to financial services as a top priority, and encouraged initiatives that made bank accounts essential for every individual. For instance, the two important government-sponsored conditional cash transfer programmes for the poor, *Familias en Acción* and *Subsidio Condicionado a la Asistencia Escolar-Bogotá*, pay cash benefits through bank accounts. With the government's

initiatives and support offered by banks, the use of cash gradually declined from 2009 to 2013, while the share of payment cards increased during the same period, in terms of transaction value.

Growth prospects in the prepaid cards market

Prepaid cards are gaining popularity among Colombian consumers. Banks offer a range of prepaid card variants, such as gift cards, transport cards, food cards, fuel cards and shopping cards, and don't insist on having an account with them to issue these cards.

Likewise, the majority of Colombian companies offer prepaid cards to their employees as part of their salary packages. These cards are offered to meet food and fuel expenses. BBVA Colombia and Banco Davivienda offer Visa-branded prepaid cards called 'Visa Vale' to their employees.

The growth of the prepaid card market has attracted new entrants. The US-based Latin American prepaid service provider NovoPayment launched its Colombian operations in 2009. The company offers three reloadable MasterCard-branded prepaid corporate cards: the *Plata Combustible* (money-fuel); the *Plata Compras* (money-purchases) cash management card; and the *Plata Clásica* payroll card for the unbanked population.

Mobile payment services to the unbanked offers growth prospect

Colombia, with its high mobile penetration level of 112.1% in 2013, offers potential for mobile payment services. There are three reasons conducive to the growth of m-payment services. First, the economy is advancing rapidly, resulting in the growth

of disposable incomes. Secondly, a large percentage (35%) of the population is unbanked, representing a huge potential of new customers for banks and financial institutions. Thirdly, mobile culture is deeply rooted within the country.

A distinctive feature of the country's banking industry which will drive the adoption of mobile financial services is the correspondent agent networks. Correspondent agents are allowed to provide banking services on behalf of banks, such as opening savings accounts, cash deposits and withdrawals, and bill payments. Furthermore, growth prospects are attracting international entrants into the country. The US-based mobile network operator YellowPepper entered into an agreement with 12 banks in August 2013 to introduce a mobile payment card called *Socia*, which primarily targets the unbanked population.

Rising adoption of contactless technology to drive the payments industry

Contactless technology is emerging in Colombia and is expected to be an important driver in the cards and payments industry. Bancolombia issued the first MasterCard-branded Maestro PayPass debit card in March 2013, which was supplied by Morpho, a high-technology company owned by Safran. The card is based on tap-and-go technology.

Similarly, contactless technology is also being used in the local transit system. Following the successful programme in Bogota, the Masivo Integrado de Occidente (MIO) city bus network in Cali awarded a contract to ASK, a contactless technology provider for the transport and identity sectors in October 2014 to supply transport cards enabled with contactless features. Cali is Colombia's third-largest city, with 2.5 million inhabitants. MIO's fare system is operated by Unión Temporal de Recaudo y Tecnología, the country's third-largest bus operator.

Targeting selective niche markets

The Colombian cards and payments industry is currently underexplored by card issuers. To increase market share, banks are launching cards targeting specific consumer groups. Niche markets such as female-only cards, cards targeting specific age groups, and gift cards are gaining popularity. Banco Davivienda, for example, offers an exclusive card for women, while BBVA Colombia targets SMEs, and Banco de Bogotá targets students and younger people. Banks will continue to offer such products with systematic segmentation and customised offers to drive growth in the industry. ■



Weak card growth forecast

Cash use has risen in Croatia and cards growth slipped into negative territory from 2009 to 2013. Improved banking infrastructure, product innovation and heightened awareness of electronic payments will help to encourage cards growth but the depressed economy will dampen cards growth prospects

Before the advent of the global financial crisis, the Croatian economy grew at a rate of 4% to 5% annually. However, the crisis impeded economic progress and the country entered its sixth year of recession in 2014. This had a direct bearing on the Croatian cards and payments industry.

Croatia became the EU's 28th member on 1 July 2013, and since then has been trying to raise its competitiveness, helped by EU funding to aid economic development and growth. Consequently, the government has undertaken labour, pension, social benefit and investment reforms, which are anticipated to stimulate employment opportunities.

The privatisation of large government-owned companies and access to EU funds should provide support for the country's economic recovery. However, growth prospects for the cards and payments industry

are anticipated to remain weak until the economy starts to grow.

In 2013, credit transfer and direct debit were the most popular payment instruments with a combined industry share of 90.3% in terms of transaction value, while payment cards accounted for a share of just 2.2%. The use of cash is increasing and its share rose from 6.3% in 2009 to 7.5% in 2013.

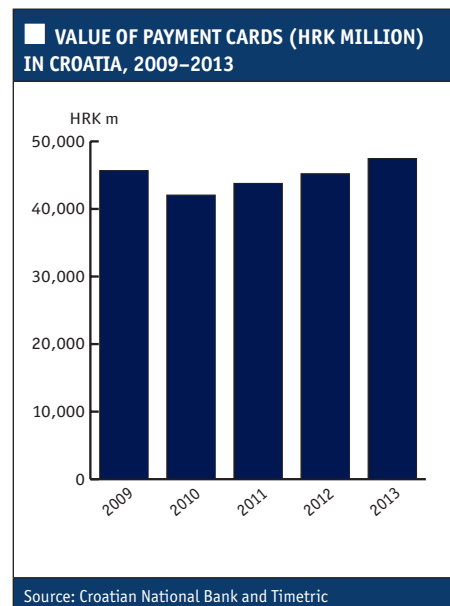
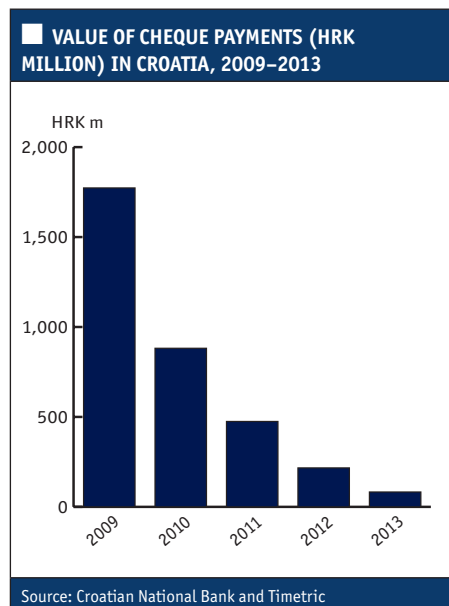
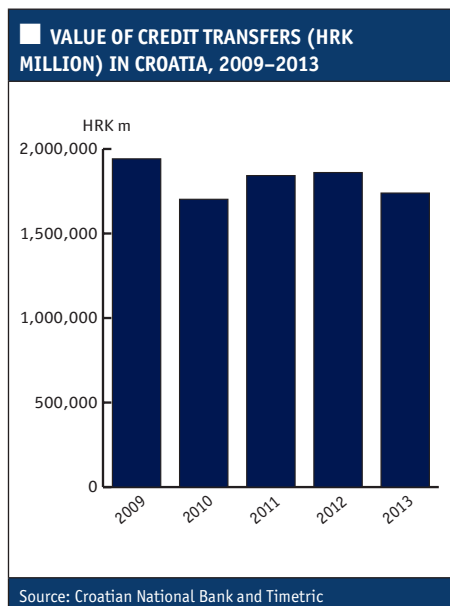
Subdued economy hampering growth potential

In terms of the number of cards in circulation, payment cards (debit, credit and charge cards) declined marginally from 2009 to 2013, recording a compound annual growth rate (CAGR) of -0.39%, decreasing from 8.5 million in 2009 to 8.4 million in 2013. However, in terms of transaction value, payment cards registered HRK116.1bn (\$20.3bn) in 2013, a CAGR of 1.07% since 2009.

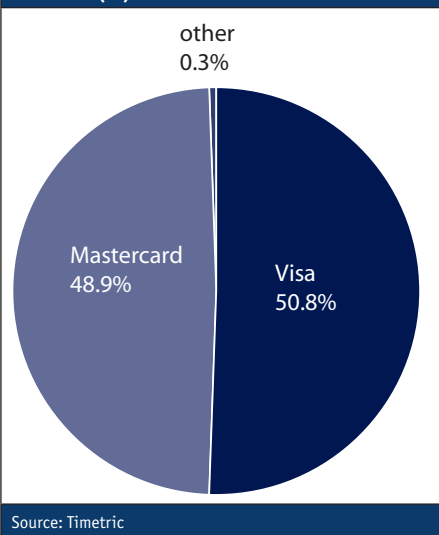
Improved banking infrastructure, new product developments, a higher awareness of electronic payments and the wider acceptance of payment cards at point of sale terminals were the main growth drivers. The adoption of Europay, MasterCard and Visa (EMV) standards, as well as the emergence of contactless technology, also supported industry growth.

In 2013, Croatia's average transaction value (ATV) was \$64.8, ranking it 24th in the EU. Greece recorded the highest ATV of \$227.6, followed by Switzerland (\$156.6), Italy (\$140.4), Germany (\$131.5), Luxembourg (\$121.2), Ireland (\$106.4) and Romania (\$104.3).

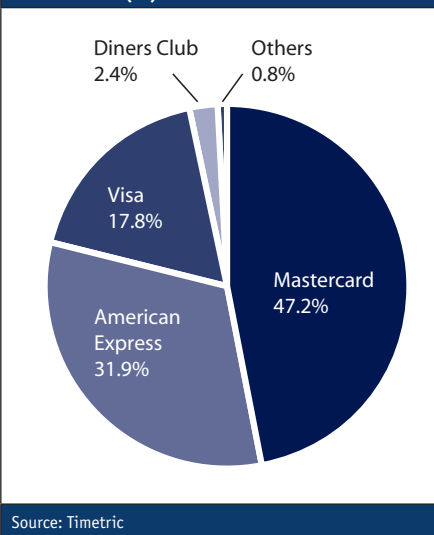
In terms of card penetration, Croatia had 1.88 cards per inhabitant in 2013, the eighth-highest figure in the region. Luxembourg with (4.43) had the highest penetration, followed by Norway (2.73), the UK



■ CROATIAN DEBIT CARDS CATEGORY SHARE BY SCHEMES (%), 2013



■ CROATIAN CREDIT CARDS CATEGORY SHARE BY SCHEMES (%), 2013



(2.48), Sweden (2.38), Belgium (2.04), Turkey (1.95) and Switzerland (1.91).

In terms of frequency of use, Croatia recorded 36.9 transactions per card in 2013. Finland with 172.8 transactions per card had the highest frequency of use, followed by Denmark (159.2), Estonia (149.4) and France (127.8).

In terms of transaction value, debit cards remained a popular payment card from 2009 to 2013, growing from HRK82.1bn in 2009 to HRK87.7bn in 2013, a CAGR of 1.68%. The value is anticipated to grow to reach HRK115.7bn in 2018, at a CAGR of 5.38%.

Cautious consumers

Due to the European debt crisis and uncertain economic conditions, the majority of Croatian consumers have become debt-cautious and prefer to use debit cards to make payments to track their expenses. Consequently, the debit cards market registered growth in terms of the number of cards in circulation, transaction value and volume from 2009 to 2013. Transaction values at point of sale terminals gradually increased during this period – a trend that is anticipated to continue in the period 2014 to 2018.

In order to spur card sales, banks and card issuers are offering EMV-compliant cards and introducing new technology on debit cards. EMV cards increased substantially from 6 million in 2009 to 7.9 million in 2013, a CAGR of 7.01%.

As contactless technology became more secure, debit cardholders started to use them to make quick and secure small-value payments. Banks are offering bespoke products to meet specific customer needs, and are increasingly targeting students, the young

population and SMEs.

The European debt crisis led individuals across the region to redefine their spending habits by cutting down on non-essential expenses. In order to capture a larger share of the market, banks and card issuers are offering a variety of prepaid cards. The number of prepaid cards in circulation increased from 830,903 cards in 2009 to 1.3 million in 2013, a CAGR of 12.53%. The market is anticipated to reach 1.8 million cards in 2018, a CAGR of 6.12%.

In 2012, PBZ launched the American Express gift card, the first prepaid card in the American Express portfolio of PBZ Card.

Similarly, Hrvatska Poštanska Banka launched a reloadable Visa prepaid card in April 2013. The card can be used in Croatia and abroad, and also to withdraw cash from ATMs and point of sale terminals. The bank also launched the Visa Prepaid Youth Card, designed for young people aged 14 and above.

E-commerce offers growth prospects for card payments

Rising internet and smartphone penetration, coupled with an increasing number of operators providing online sales of books, electronics, fashion products, games and other retail products fuelled the growth of e-commerce. From 2009 its value increased at a CAGR of 25.15%, to reach HRK1.9bn in 2013 and is anticipated to increase at a CAGR of 21.56% to reach HRK5.3bn in 2018.

Banks also offer Verified by Visa and MasterCard Secure Code services to their customers aimed at providing them with a secure, convenient and reliable online payment tool, which fuels demand for

payment cards.

Contactless cards were first introduced in Croatia in December 2012, with MasterCard PayPass first issued by Erste & Steiermärkische Banka. Contactless technology is being rolled-out by banks and card issuing companies for making payments using mobile phones. In July 2012, telecommunication provider, Hrvatski Telekom introduced mobile payment based on NFC technology, and in August last year, PBZ, Intesa Sanpaolo Card and American Express announced they have initiated a pilot to test mobile NFC payments. The emergence of contactless technology is expected to drive card-based payments over the period 2014 to 2018.

Increasing focus on specific consumer groups

Banks in Croatia are adopting demographic customer segmentation and offering debit and credit cards targeted at specific segments. Some banks offer products for children below the age of 18, encouraging parents or guardians to open savings accounts for their children. HPB offers an account for children aged under 18, while Splitska Banka offers the Youth and Student package for people aged 16 to 29. In many developed countries, cards are offered to specific demographic groups, such as women, online shoppers and frequent travellers. The industry is yet to be explored to its full potential in these areas.

Expanding the banking infrastructure

The number of ATMs in Croatia increased from 3,601 in 2009 to 4,123 in 2013, a CAGR of 3.44% and the number is anticipated to increase further, from 4,173 last year to 4,328 in 2018, at a CAGR of 0.92%. This is primarily due to competition among banks, which is forcing them to increase their ATM networks to offer convenient banking services to customers.

The number of point of sale terminals in the country increasing from 85,804 in 2009 to 92,221 in 2013, at a CAGR of 3.44%. This number is also expected to grow due to the expansion of the retail sector and banks installing their own POS terminals due to the heavy charges for using other banks' terminals.

The number of point of sale terminals is anticipated to rise from 93,920 in 2014 to 102,462 in 2018, at a CAGR of 2.20%.

Point of sale terminal penetration – calculated as the number of terminals per 100,000 inhabitants – also rose, from 1,911.3 in 2009 to 2,060.5 in 2013. This number is expected to increase over the 2014-2018 period to reach 2,305.6 in 2018. ■

Cash remains the most popular payment format- modest cards growth lies ahead

Rising consumer awareness, government initiatives and the introduction of innovative products and marketing campaigns by card issuers will help boost cards growth in a market still dominated by cash

The economic reforms introduced by the Pakistani government during the period 2009 to 2013 had a positive impact on the country's GDP growth rate, which increased from 2.8% in 2009 to 6.1% in 2013, a trend that's expected to continue over the period 2014 to 2018. The improved economic conditions are expected to have a positive impact on the country's cards and payments industry.

Pakistani payment cards (including debit and credit cards) registered growth during the period from 2009 to 2013, recording a compound annual growth rate (CAGR) of 25.93%, and increasing from 9.2 million cards in circulation in 2009 to 23.1 million by the end of 2013. In terms of transaction value, payment cards registered PKR1.9trn (\$18.8bn) in 2013, after registering a CAGR of 24.37% in the period from 2009 to 2013.

Extended reach

With the development of alternative delivery channels, the launch of biometric ATMs and the availability of fund transfer facilities online and at ATM terminals, banks are able to reach a large volume of the population. Furthermore, the improvement in banking infrastructure, the development of

new products, government initiatives, and stable economic conditions are all factors which led to the growth of payment cards.

The average transaction value (ATV) in Pakistan was \$93, which is the ninth-largest among the Asia-Pacific countries. China recorded the highest ATV, with \$302.4, followed by Taiwan (\$251.1), Kazakhstan (\$199.7), Hong Kong (\$184.6), Singapore (\$148.5), Thailand (\$148.2), Malaysia (\$140.1) and Australia (\$98.9). Pakistan ranked fifteenth in terms of card penetration rate compared to the other Asia-Pacific countries, with 0.12 cards per inhabitant.

Frequency of use

Pakistan ranked sixteenth among the Asia-Pacific countries in the frequency of use of payment cards, with 8.7 transactions per card. New Zealand recorded the highest frequency, with 146.1 transactions, followed by Australia (96.6), South Korea (44.7), Singapore (36), Indonesia (28.8), Hong Kong (26.3), Thailand (25), Malaysia (18.1), India (17.5), Kazakhstan (14.2), Taiwan (12.4), Cambodia (11.8), Japan (11.5), Vietnam (10.4) and the Philippines (9.9).

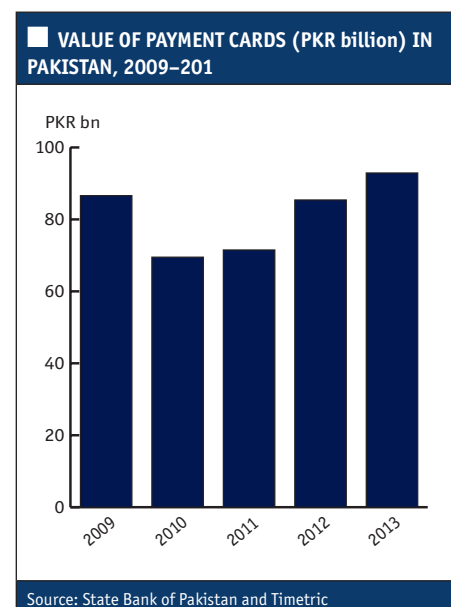
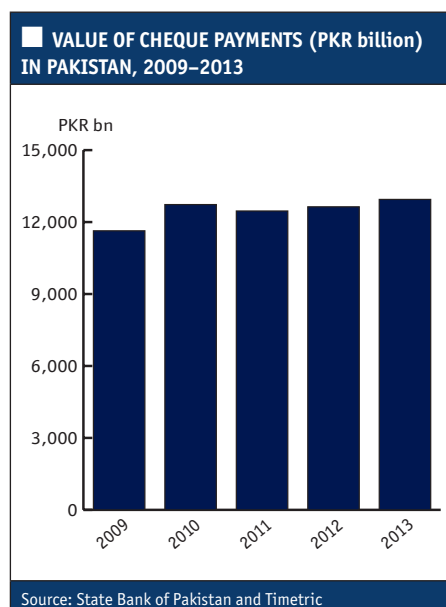
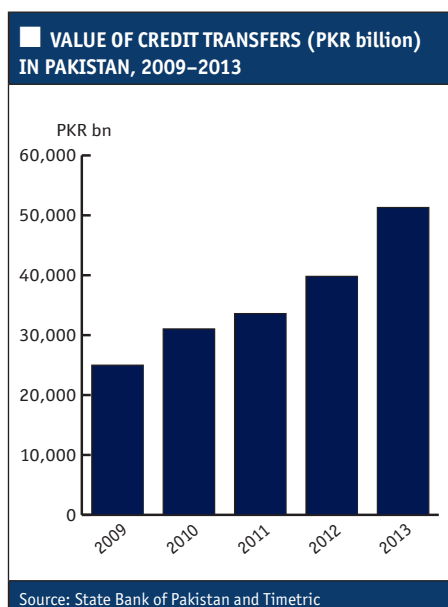
While cash remains the most popular method of payment for Pakistani con-

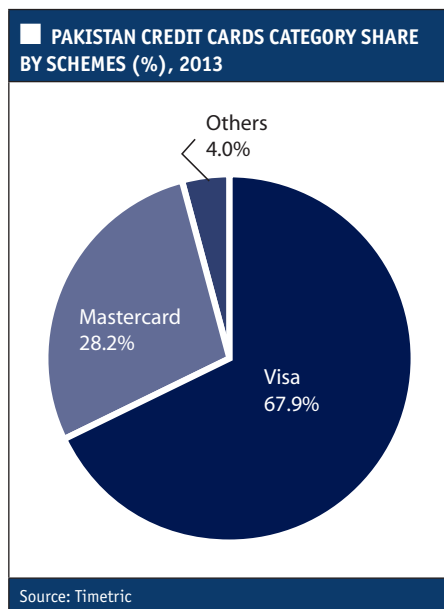
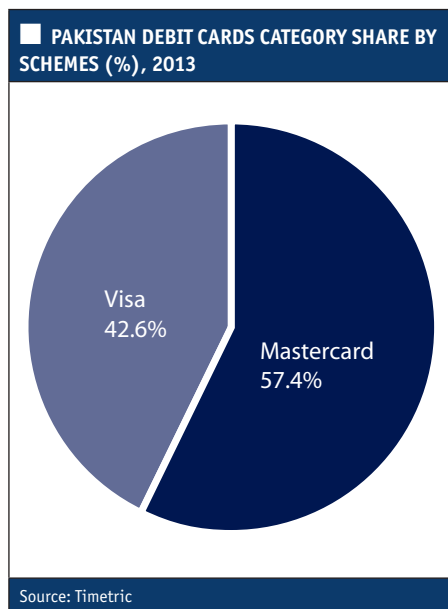
sumers, they are gradually making use of payment cards for purchases and utility bill payments. Rising consumer awareness of the benefits of payment cards, government initiatives and the introduction of innovative products and marketing campaigns by card issuers are expected to drive consumers towards card-based payments. Banks are also implementing various marketing strategies to offer benefits to cardholders, in the form of discounts and rewards points on card use.

The government's initiative to issue Watan Cards for the disbursement of funds to flood victims also contributed to the growth of payment cards. Growth in retail outlets and e-commerce activities, supported by rising numbers of point of sale terminals and online payment gateways, also aided the growth. In addition, banks are introducing branchless banking concepts so customers can carry out banking transactions via mobile phones.

Debit cards continue to dominate the market

Debit cards are considered to be the most favourable mode of payment card in Pakistan. The debit card market was very strong





in 2013, accounting for 94.4% of the entire cards and payment market, followed by credit cards, with a 5.6% share in terms of transaction value. The same trend is anticipated to follow over the period 2014 to 2018.

Debit cards are generally used by consumers to pay utility bills, transfer funds online, to make payments at retail outlets and to withdraw cash. And in order to offer debit cards, banks are targeting niche segments of society. Bank Alfalah, for instance, is offering Visa debit cards to senior citizens who open senior citizen accounts with the bank, which also offer discount benefits to cardholders. Similarly, Meezan Bank offers a Visa debit card to children aged at least 12 years who have a Kids Club account with the bank.

ATM use

As the volume of cash transactions is greater compared to card transactions, these cards are primarily used at ATMs to make cash withdrawals, rather than at point of sale terminals.

Transactions at ATMs account for 98.9% of debit card use, compared to point of sale, which only accounts for 1.1%.

Banks are also taking initiatives towards the development of credit cards, such as issuing cards in association with retail outlets to offer discount benefits to cardholders. Furthermore, Habib Bank (HBL) issues credit cards in association with Liberty Magazines, where cardholders are given magazines by redeeming their card points. Other benefits, such as an interest-free credit period, cashback offers and access to airport VIP lounges are also offered to credit card holders.

The Pakistani prepaid card market is recording positive and steady growth. In terms of the number of cards in circulation, the market grew from 1.4 million in 2009 to 2.7 million in 2013, at a CAGR of 18.11%. This is anticipated to grow to 3.5 million cards in 2018 at a CAGR of 5.62%.

With a large unbanked population and outbound tourism growth, these cards have significant potential to grow in number. Furthermore, the Pakistani government has also used prepaid cards to disperse funds among citizens as part of its social benefits scheme. The government also issued Watan cards in association with HBL, in order to distribute relief funds to flood-affected victims.

Targeting specific customer segments

In order to increase the card market, banks are focusing on customer segmentation in an attempt to target specific consumer segments, offering cards targeted at specific groups such as females, students, high-income customers and frequent travellers. UBL, for instance, issues three different types of Wiz Cards targeting females, teens and frequent travellers, while Bank Alfalah issues a platinum card for high-income customers.

Banks also tie up with local merchants and airlines to offer discounts, reward points and other benefits to these cardholders. HBL issues the Farid's Loyalty Card in association with Farid (a shopping destination), as well as discounts on airlines and other shopping items.

Similarly, First Women Bank offers cards in association with retail merchants such as KFC and Stile, offering discounts to customers.

Branchless banking has been introduced in Pakistan by SBP, which provides a convenient banking environment for customers involving major participants such as mobile network operators, technology companies and courier businesses. This initiative was taken by SBP in order to target the unbanked lower income groups and the rural population. Customers are now embracing branchless banking, using a range of services including the payment of utility bills, deposits, withdrawals, and remittances.

Banks providing these services in Pakistan include UBL Bank, First MicroFinance Bank and Dubai Islamic Bank Pakistan. Tameer Micro Finance Bank, in association with Telenor Pakistan (a telecommunication service provider), introduced the Easypaisa service to its customers. This is a branchless banking service in which customers can conduct financial transactions on their mobile phone.

Growth in e-banking

An increase in number of internet users in Pakistan is providing scope for growth in the e-banking system.

The number of internet users increased from 13.6 million in 2009 to 21.1 million in 2013, at a CAGR of 11.61%. This reflects increasing technological advancements in broadband and mobile internet infrastructure in the country.

To encourage greater use of the internet, several low-cost packages are offered by the Pakistan Telecommunication Company Limited (PTCL). For instance, it introduced the Student Basic Package for students, with a free Wi-Fi facility with 1Mbps speed and unlimited download facilities.

To encourage the use of the e-banking system, UBL introduced an online bill payment facility for its customers in association with PTCL.

For its corporate customers, the company launched the Managed Wi-Fi service, which provides fast and secure internet access. This increase in internet facilities is expected to drive growth of the e-banking system.

The Ministry of Finance and the National Database Registration Authority introduced smart cards for all federal government pensioners.

Elderly retired federal workers had the option of receiving their pension through electronic cards without facing any difficulties.

Electronic smart cards are expected to reduce the hassle of withdrawing funds and reduce queues at the nation's banks. This card product is expected to be a strong driver of growth for payment cards. ■

Miyagi-San and the art of compliance

Dan Salmons, martial arts aficionado and managing director of PayPoint Mobile and Online, says organisations need to adopt PCI DSS more deeply

Polish on, polish off, brush up, brush down". Thus begins Daniel LaRusso's training in the martial arts in the classic eighties movie *The Karate Kid*. Instead of learning kicks and throws in the dojo, Daniel found himself redecorating his teacher's house, and even then, Miyagi-San makes him do each job in a very specific way – but not necessarily the easiest way.

Daniel ends his first day of training angry and disappointed, but then the Japanese sage delivers his real lesson. All of a sudden the tedious movements he's had to use all day become powerful defensive manoeuvres. And, of course, the movie ends with Daniel defeating his nemesis.

This is a bit like what digital security means for any organisation processing card payments. The rule book we must all follow, PCI DSS, lays down in great detail exactly what organisations must demonstrate to achieve compliance. But doing what you need to do to achieve compliance won't make your customers secure – just like knowing all the moves won't necessarily make you great at karate.

Lucrative stolen cards market

Payment security is hugely important today, as the market for stolen cards is vast and lucrative. It was recently revealed that 183 million accounts were compromised in the third quarter of 2014 and credit-card hacking has been found to be America's top crime worry.

As the owners of the 56 million credit cards that were compromised from Home Depot found to their cost, card details are hot property at the moment – with each card worth an estimated £8. For criminal gangs trading in thousands, if not millions of

stolen accounts, that's a very profitable line of business.

Yet a large number of payment providers see the compliance process as a necessary evil of doing business – a bit like fire drills and employer liability insurance – and less of a business opportunity to keep and win new clients. Indeed, there are plenty of ways organisations can meet the spirit of the standards without actually incorporating them into every part of their operations. For example, many organisations only allow auditors to examine data and conduct penetration tests on 'sandbox' systems, unconnected to the provider's online systems. That'll get them the tick in the box, but will it be a hallmark of total security? There's no way of knowing until it's too late.

As Miyagi-San taught young Daniel, truly defending yourself requires you to think far more fundamentally about what you do and how you do it. The hard part is to practise it day in, day out. But if organisations are using a service that's 'compliant by design', they're far better placed to defend their customers' data robustly. For us, this means embedding PCI DSS-friendly processes into the code base of our core applications – rather than rushing to compile paper trails by hand when audit time comes. It means giving auditors access to live data on our production systems, which in turn requires a culture of sustained compliance and continuous improvement that all employees need to embrace. It also means we plan our businesses around audits – allowing plenty of time for preparations. It's for these reasons we marked 10 years of Level 1 PCI DSS compliance in August last year.

Finally, compliance by design demands that executives run their business with security uppermost in their minds and as a business opportunity – not the other way around.



PCI DSS audits generally require many business functions, especially finance, IT and operations, to go into lockdown for several weeks a year. Rolling out new products and integrating new customers simply takes much longer during audits – if they happen at all. But with products that are compliant by design, the thousands of merchants and millions of consumers for whom we process payments each year have true peace of mind.

It's worth reminding ourselves why PCI DSS exists – because consumers demand and expect protection. Research we commissioned in May last year found that security is more important among consumers than convenience when deciding how they pay. Moreover, over half of UK consumers (55%) viewed the security of payment methods as the most important factor in deciding how we pay – while only just over a quarter (26%) believed convenience to be the most important deciding factor.

This is why simply doing the basics isn't enough. In spite of its length, PCI DSS should really be seen as merely the status quo, not the benchmark. Organisations need to go beyond the 'box ticking' to secure their customers' card data. It only takes one breach to risk the ire of customers whose card details are compromised, and their faith in your ability to protect them may never be restored. For this reason, it's absolutely crucial to get the security side right.

Though compliance by design may at times feel like waxing the auditor's car or painting their fence every day in a tedious fashion, it means your customers can rely on your "powerful defensive manoeuvres" to keep their data safe. ■

■ AT A GLANCE

ANNUAL FRAUD LOSSES ON UK-ISSUED CARDS 2012-13

Card fraud type	2012	2013	Increase y-o-y
Telephone, internet and mail order	£246m	£301.1m	22%
Counterfeit	£42.1m	£43.3m	3%
Lost or stolen cards	£55.2m	£58.9m	7%
Card ID theft	£32.3m	£36.7m	14%

Source: The UK Cards Association

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