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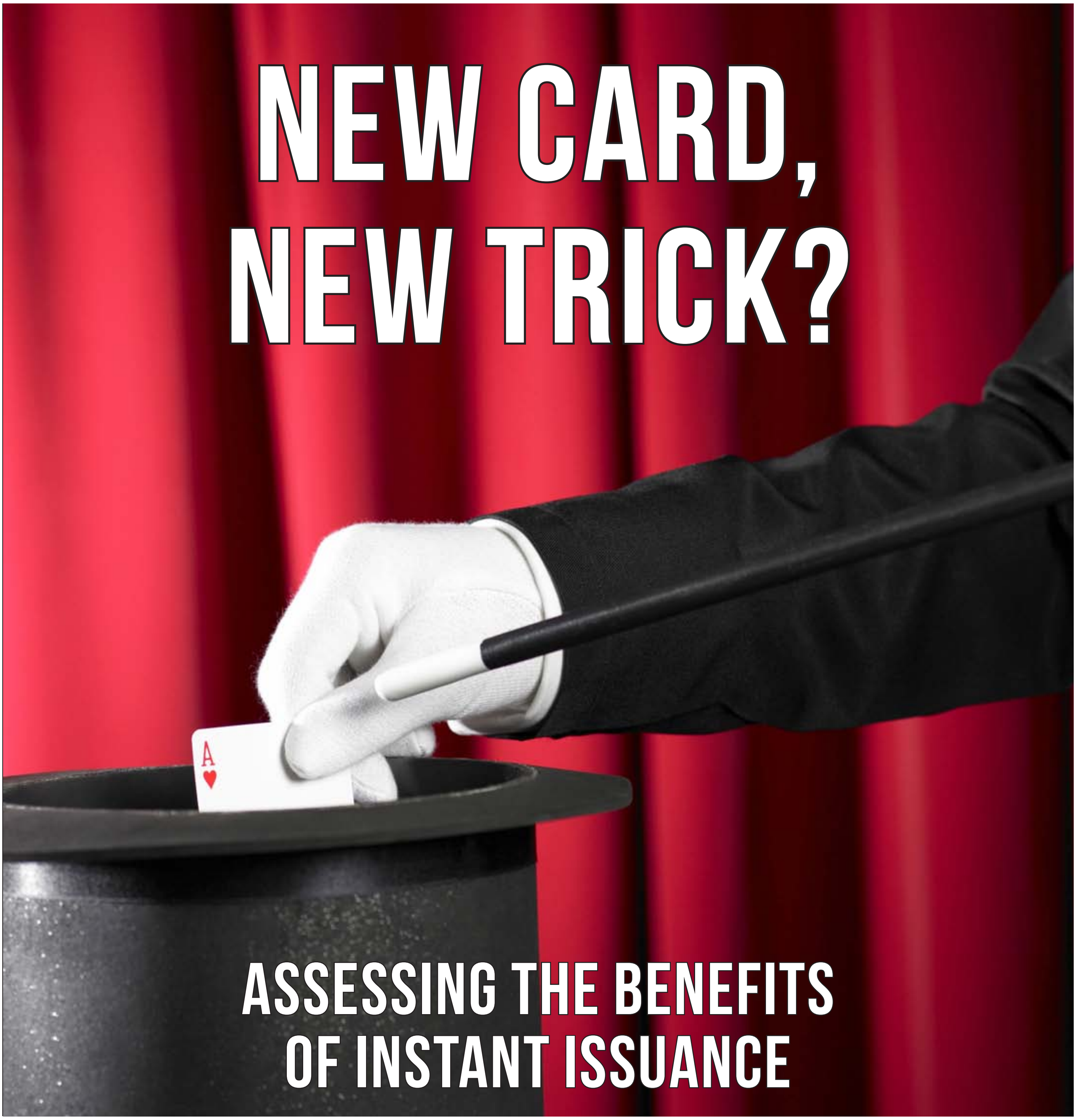

COUNTRY SNAPSHOTS

Key data and insight into card payments in Israel, Ireland and Turkey

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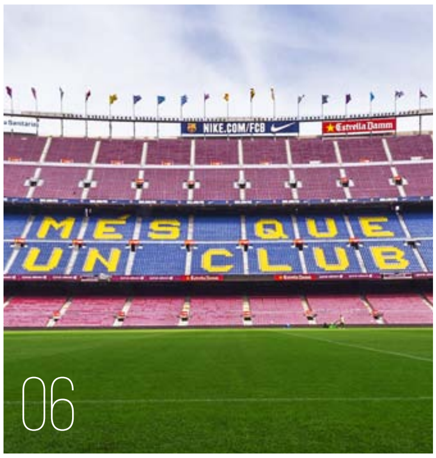

Editor: Douglas Blakey
+44 (0)20 7406 6523
douglas.blakey@verdict.co.uk

Senior Reporter: Patrick Brusnahan
+44 (0)20 7406 6526
patrick.brusnahan@verdict.co.uk

Junior Reporter: Briony Richter
+44 (0)20 7406 6701
briony.richter@verdict.co.uk

Group Editorial Director:
Ana Gyorkos
+44 (0)20 7406 6707
ana.gyorkos@globaldata.com

Sub-editor: Nick Midgley
+44 (0)161 359 5829
nick.midgley@uk.timetric.com

Publishing Assistant:
Joe Pickard
+44 (0)20 7406 6592
joe.pickard@verdict.co.uk

Director of Events: Ray Giddings
+44 (0)20 3096 2585
ray.giddings@compelo.com

Head of Subscriptions:
Alex Aubrey
+44 (0)20 3096 2603
alex.aubrey@verdict.co.uk

Sales Executive: Jamie Baker
+44 203 096 2622
jamie.baker@verdict.co.uk

Customer Services: +44 (0)20 3096 2603 or +44 (0)20 3096 2636, briefings@verdict.co.uk

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For more information, please telephone +44 (0)20 7406 6536 or email briefings@verdict.co.uk.

London Office: 71-73 Carter Lane, London, EC4V 5EQ

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

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AS CONNECTED COMMERCE GATHERS PACE WILL WE SEE ATMS IN BRANCHES?

Douglas Blakey, Editor

At Diebold's International Management Seminar in Amsterdam in mid-October – its 30th such event but the first one as Diebold Nixdorf since the Wincor merger – particular attention was paid to 'connected commerce'.

However, ATMs may not be part of this connection – at least in-branch. Philippine Risch, director of ING's branches and cash in the Netherlands, believed ING's purpose was to help its customers stay ahead by being "a tech company with a banking licence".

Is there a need for branches in an increasingly digital world? Risch argued strongly in the affirmative. She said: "The ultimate experience is digital mixed with human experience."

However, she highlighted that the branch would only be useful if it was there to satisfy a customer's needs. Even if a branch is not needed, customers can feel relieved to see one. Additional services that a branch can provide are human help and guidance.

Risch added: "Sometimes people just even want to vent frustration at their bank and appreciate general attention. The human contact makes the difference in a customer relationship. The human touch adds to the heart and the emotion of the digital relationship." ING's branches will now focus on being advice branches or experience branches.

One thing that may not have a future in ING's branch is ATMs. Risch would not elaborate, but said cash will retain a large role in Dutch society, but will not play a huge part in branches. Therefore, ATMs would eventually be removed.

Christian Weisser, senior vice-president and MD for Europe, Middle East and Africa at Diebold Nixdorf, said: "We see four global forces in our space: automation, digitalisation, individualisation, and a strong trend to consume everything as a service. Cash as a service, ATMs as a service, everything is a service – these forces drive retail and banking."

Weisser described the future as not necessarily a 'cashless' society, but definitely a 'cash-lite' one.

With PSD2's imminent arrival, the four "global forces" combine and the financial sector needs to embrace this.

He added: "Connected commerce means providing an app that isn't only financial advice, but also provides tips for lifestyle. By 2018, a billion accounts' information will be available. So why not be the first to aggregate all this information into your app?"

Death of cash, no future for ATMs or cards – the daily pitch. Rarely does a day go by without some call or email from a breathless PR telling the writer about the imminent death of cash. Or a discussion with a banker arguing that consumers no longer want to use cash. Often of course they have a strong vested interest, such as a banker from one of the new startups that will not be rolling out its own ATMs.

The one consistent feature is their determination to ignore a few facts that they dislike as they do not fit their own agenda. Such as the total value of notes in circulation in the UK increasing by 10% last year to exceed £70bn ($92.9bn) for the first time. Or the total aggregate value of ATM withdrawals in the UK stubbornly remaining constant in recent years at around £190bn each year.

Sadly, UK banks missed a trick to boost ATM functionality by not adapting ATMs to offer the range of services readily found in Europe. The UK has a dismal record compared with the continent in terms of 'recycle' ATMs.

It is a safe forecast to say that UK ATM numbers, currently standing at all-time high of about 70,000, have peaked. As in the Netherlands, we can expect to see fewer ATMs in the UK within the diminishing numbers of branches.

But if Payments UK is to be believed – and I have no reason to doubt its forecast – cash will still account for about a fifth of all payments in 10 years' time. Unless, of course, the new digital entrants to the market succeed in denying consumers the choice of how they wish to pay; that would be somewhat ironic, given that public policy in the UK is to encourage the new players to widen consumer choice. ■

GET IN TOUCH WITH THE EDITOR AT: **DOUGLAS.BLAKEY@VERDICT.CO.UK**

NEWS DIGEST

ELAVON, POYNT TO OFFER SMART PAYMENT TERMINAL IN CANADA

Payments company Elavon, a wholly owned subsidiary of US Bancorp, has partnered with California-based Poynt to offer the Poynt Smart Terminal to businesses in Canada.

Poynt has been designed as a wireless, dual-touch-screen smart terminal that enables businesses to accept payments anywhere. The payment terminal is suitable for businesses such as retail, lodging, restaurants and health and wellness.

The new smart payment terminal includes real-time reporting, apps and a built-in scanner and printer, as well as a second screen with private tipping options.

The terminal allows customers to pay using chip and PIN, Interac or contactless, including mobile payments using Apple Pay and Android Pay.

It also features built-in Wi-Fi and broadband capabilities which allow businesses to accept payments at the counter, in-aisle or at the table.

The terminal's user-friendly HQ dashboard enables merchants to closely monitor sales and transaction activity from the terminal screen, or via the web or mobile device, and provides immediate insight into critical operational trends.

Elavon's general manager for Canada, Mia Huntington, said: "Poynt makes the payment experience easy and engaging for customers, which is not something they've experienced with traditional payment terminals.

"It builds trust and loyalty for businesses while protecting their payment data. It is also scalable, so it can flex and grow with the business."

Poynt CEO Osama Bedier said: "We are proud to expand into Canada with Elavon; we are thrilled to be the first to offer businesses the ability to create the most modern payment experience for their customers thanks to sleek features and ultimate payment flexibility." ■

Wells Fargo adds NFC-enabled ATM withdrawal capability

The US's largest bank by branch numbers, Wells Fargo, has launched near-field communication (NFC) functionality for debit card customers at more than 5,000 ATMs in the country.

The new feature will allow customers to initiate an ATM transaction via wearables or mobile wallets such as Apple Pay, Android Pay or Samsung Pay, as well as Wells Fargo's own Android wallet app.

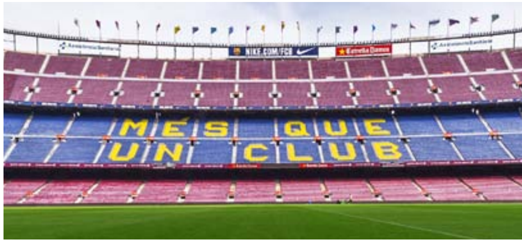
Bank customers will see a contactless symbol on the ATM display, and then enter their Wells Fargo debit or EasyPay card PIN to complete the transaction.

NFC-enabled ATM terminals can currently be used without a physical card, with the generation of a one-time access code through the Wells Fargo mobile banking app launched in March 2017.

Wells Fargo's head of virtual channels, Jim Smith, said: "According to Forrester, by 2021 mobile payments volume in the US will triple. Our customers are increasingly using mobile to manage their finances and make payments, which makes it ever important for Wells Fargo to provide our more than 20 million mobile banking and mobile wallet customers with a seamless mobile authentication and access experience at our ATMs, online, and in our branches."

The bank plans to upgrade the rest of the company's over 13,000 ATMs with the hardware by 2019. ■

Maybank teams with FC Barcelona to issue co-branded cards



Barcelona Football Club has teamed up with Maybank to launch co-branded credit and debit cards in Malaysia and Singapore.

The Malaysian lender will also act as a regional partner of the club until 2020, and as the official FC Barcelona Bank in Malaysia and Singapore.

The agreement will allow Maybank to offer a suite of FC Barcelona co-branded credit and debit cards to boost its position in the card market in Malaysia. Maybank FC Barcelona Cards will provide cardholders with rewards such as a free-for-life annual fee, cashback on retail spending and a 0.10%-per-year interest rate on savings account for debit card holders who sign up for the Maybank2U Premier Account online.

FC Barcelona commercial director Xavier Asensi said: "It is with much pleasure that we welcome Maybank as a regional partner of the club in Malaysia and Singapore. Through this new partnership, FC Barcelona will be able to continue to increase its popularity while getting closer to our fans in Malaysia and Singapore."

Maybank head of cards and financial services B Ravintharan: "This partnership with FC Barcelona represents another key step in the bank's consumer banking strategy to ensure that it continues to build on its strong franchise in the region by offering distinct value propositions for different market segments.

"We anticipate that we will be issuing 15,000 new co-branded cards in the first year of launch and hope to be able to expand the partnership to our other regional markets, where there is a demand and strong following of FC Barcelona, with Singapore being the first overseas market in January 2018." ■

MASTERCARD OPENS INNOVATION LAB IN INDIA

Mastercard has established its first innovation lab in India, to focus on digital payments, data solutions, financial inclusion, alternative payment methods and security.

Supporting the Indian government's cashless agenda, the new lab in Pune, Maharashtra will work in collaboration with financial institutions, merchant partners and fintechs to help develop the digital economy while increasing financial inclusion.

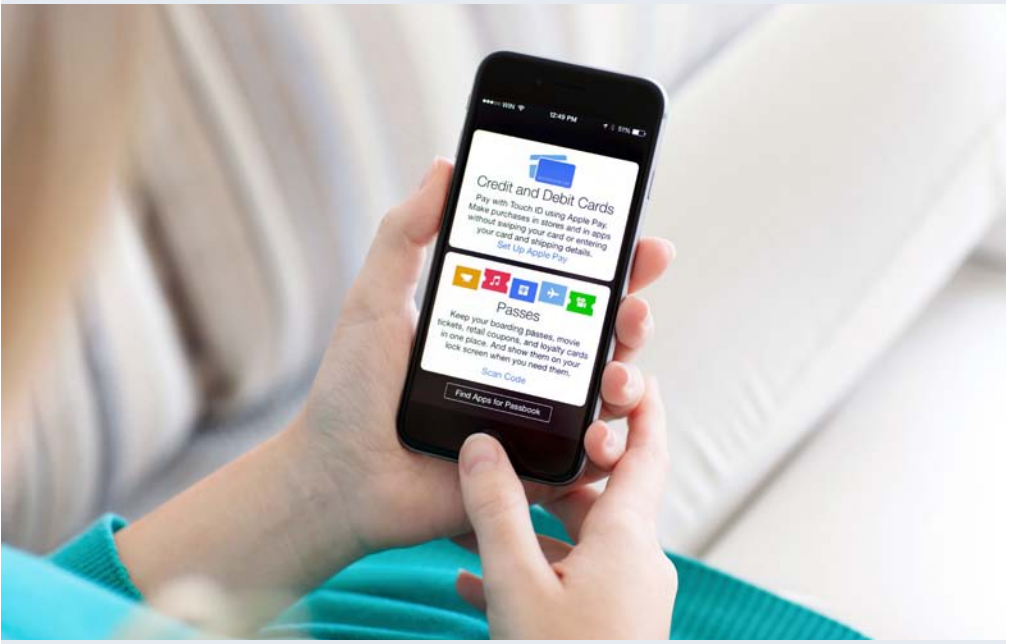
Using Mastercard's Start Path programme, the lab will work with startups to develop next-generation solutions.

The new hub, which is Mastercard's ninth worldwide and second in Asia-Pacific, will build new concepts and innovations through incubation, proof of concept, pilot and commercialisation for consumers and businesses in India.

Mastercard executive vice-president Ken Moore said: "Learning, innovation and collaboration cannot exist in isolation. The launch of the first Mastercard Labs in India is evidence of our commitment to designing solutions that drive commerce and create more inclusive societies around the world.

"By bringing together a team of passionate individuals from diverse cultures and disciplines, we seek to further accelerate and enhance our ability to launch innovations that help us enhance the lives of everyday Indians and help them move closer to our vision of a world beyond cash," Moore added. ■

Discover allows cashback redemption via Apple Pay



US card issuer Discover Financial Services has announced that members can now redeem cashback bonus rewards for statement credit through Apple Pay.

The new feature requires a Discover card to be added to Apple Pay, the Discover mobile app, and a rewards balance higher than the purchase amount.

Discover card members can redeem cashback points by making a qualifying purchase greater than $1, selecting Tap for Details under the Discover redemption message in Apple Wallet, and then tapping to redeem the cashback bonus as a statement credit in the purchase amount.

Apple Pay does not store users' credit or debit card details on their devices; instead a unique code is generated when paying for an item.

Commenting on the launch, Discover's vice-president of e-business, Szabolcs Paldy, said: "Cashback Bonus redemption through Apple Pay can happen in just two touches for Discover card members.

"We are committed to providing simple and valuable solutions to our customers wherever and whenever they need them," Paldy continued.

"Customer experience hinges on embracing mobile-first technologies like Apple Pay, and this new ability will make Cashback Bonus redemption even easier and more convenient for our card members." ■

EVRY SIGNS FIVE-YEAR DEAL WITH AKTIA

Norway-based banking tech vendor Evry and Finland-based Aktia Bank have signed a five-year agreement under which Evry will provide the entire value chain for card payments to the Finnish lender.

Under the deal, worth NOK150m ($18.7m), Evry will provide virtual debit and credit cards for Aktia's digital wallet service, Aktia Wallet.

Evry's new software for digitising cards on mobile devices will issue new cards, enabling customers to pay with mobile phones at payment terminals that accept contactless payments globally.

Evry will offer physical debit and credit cards to digital card payments and related services, including card administration, authorisation processing, transaction monitoring and security solutions that detect and prevent fraud.

Aktia Bank's director of loans and cards, Anton Tulikoura, commented: "Aktia continuously improves its financial services and products and their availability. We therefore need a collaboration partner that leads the field in the development of card and payment solutions and offers innovative and stable services.

"We are working hard to offer new solutions that will make it easier for our customers to manage their finances on a day-to-day basis, and this collaboration with Evry will help accelerate developments in this area.

"The breadth of Evry's deliveries mean that we only need to have a relationship with one collaboration partner in the card area," Tulikoura added. ■

COMMONWEALTH BANK TO LAUNCH CARD WITH INTEREST RATE BELOW 10%

Commonwealth Bank of Australia has announced plans to launch a new credit card with an interest rate of less than 10% and more control options for holders.

The single-digit-interest-rate card, designed to give customers more visibility and control over their personal finances, will be available from early 2018.

Applicable interest on the credit card will be 9.90%, with an account-keeping fee of A$5 ($3.92) per month.

As well as receiving real-time alerts for credit card repayments and high-value transactions, cardholders will receive notifications on overdrawn accounts.

Holders will also be able to lock, block and limit transactions on cards, including ATM withdrawals and overseas expendtiture. Each credit card transaction is categorised automatically in the CommBank App, allowing customers to see where they are spending and compare expenditure across months.

Commonwealth Bank's executive general manager, Clive van Horen, said: "We've heard feedback from customers and consumer groups and understand there's a need to offer a greater range of affordable and easy-to-manage products.

"We know there's strong demand for a simple credit card option, and we also recognise we need to help our customers avoid credit card late-payment and overdrawn-account fees.

"The real-time alerts in our CommBank App give customers even more tools to help manage their spending and avoid fees and charges." ■

Mastercard, Andhra Pradesh sign MoU

Mastercard and the state government of Andhra Pradesh (AP), India have signed a memorandum of understanding (MoU) to make the state a cashless society and strengthen its foothold as a smart city.

The MoU covers a two-year period and aims to create Fintech Valley, an initiative to support secure digital payments in the state.

The collaboration will allow Mastercard and the AP government to focus on smart transit solutions with advanced digital payment modes and transparent pricing for farmers via safer and simpler pricing mechanisms. It will also increase digital literacy and expertise.

Mastercard president and CEO Ajay Banga said: "Around the world, Mastercard has partnered with governments to unleash the power and potential of digital transformation.

"We can do this by empowering small farmers to access new markets and financial services through a digital marketplace created in India by our new Mastercard Labs.

Banga continued: "We can build on six transit programs in India with interoperable open platforms, which means ease and accessibility for people in using more than one mode of transit, helping to make cities more efficient." ■

MASTERCARD, PAYPAL EXPAND PARTNERSHIP

Mastercard and PayPal have expanded their digital partnership to include Canada, Europe, Latin America, the Caribbean and the Middle East and Africa.

Both partners aim to improve customer choice, optimise the consumer experience and make Mastercard a favoured payment option within PayPal worldwide. The move follows the recent expansion of PayPal and Mastercard's collaboration into the US and Asia-Pacific regions.

Similar to earlier agreements, Mastercard will be presented as a clear and equal payment option in the PayPal Wallet, enabling Mastercard and its issuers to be easily identifiable when making payments. Users will be able to select Mastercard as a default payment option to facilitate the checkout process. Additionally, both partners will work to use new Mastercard payment flow technologies, in a bid to offer increased value to Mastercard cardholders, financial institutions and PayPal customers.

Using Mastercard's tokenisation services, PayPal will have the opportunity to expand its POS presence. The collaboration will enable users to use a tokenised Mastercard in a PayPal Wallet to make in-store purchases at over 6.5 million contactless locations worldwide. PayPal will also allow consumers to cash out funds held in PayPal accounts to a Mastercard debit card.

Masterpass will be offered as a payment option for merchants that process payments through Braintree in Europe, Latin America and the Caribbean, and the Middle East and Africa in addition to the US and Asia-Pacific.

PayPal chief commercial officer Gary Marino said: "Today's news is the latest in a line of great partnership developments with Mastercard. Together we expect to accelerate digital payment adoption across the world, improve the payment experience online, in-app and in-store, and empower millions of consumers to seamlessly manage and move their money."

Mastercard international president Ann Cairns said: "People everywhere know and trust the familiar Mastercard brand, whether they're paying in the physical or digital world. Our expanded partnership with PayPal affirms our commitment to our billions of cardholders across the globe." ■

BNZ to add Apple Pay support for contactless payments in New Zealand

Bank of New Zealand (BNZ) is to add Apple Pay support for its customers, allowing them to pay with an Apple iPhone or Watch at a contactless terminal.

Scheduled for launch in October, Apple Pay can be used to pay in-store, in-app and online with a compatible iPhone or Apple Watch device.

Once launched, BNZ will be the second bank after Australia and New Zealand Banking Group (ANZ) to offer Apple's contactless payment service in New Zealand. ANZ introduced Apple Pay in New Zealand last year.

BNZ cards eligible for Apple Pay include the BNZ Advantage Visa Platinum, BNZ Advantage Visa Classic, BNZ Advantage Visa Business, BNZ Flexi Debit Visa, BNZ Lite Visa, BNZ Visa Classic and BNZ Visa Platinum. ■

JAPANESE BITCOIN EXCHANGE BITFLYER LAUNCHES VISA-BRANDED PREPAID CARD

Bitflyer, a Japan-based bitcoin exchange, has launched a yen-denominated bitcoin Visa-branded prepaid card.

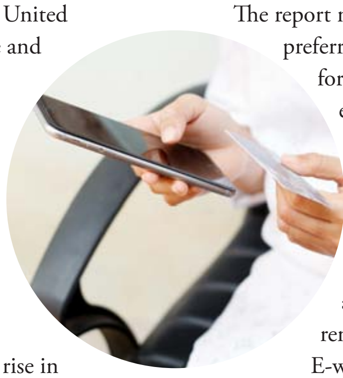
The Bitcoin Visa Prepaid Card allows users to top up using Bitflyer or other bitcoin wallets, and use the card at any retail outlets that accept Visa cards.

Cardholders can load JPY30,000 ($266.4) at a time. It has a monthly load limit of JPY120,000 and a lifetime load limit of JPY1m per card. The card, which does not charge sign-up or annual fees, has a life span of five years and its balance cannot exceed JPY100,000. Balances will be displayed in Japanese yen. Customers are required to apply online.

In September 2017, Bitflyer obtained a license from the Japan Financial Services Agency (FSA) to operate as a registered virtual currency exchange. ■

Mobile to surpass credit cards by 2019: UN report

Mobile payment will surpass credit cards to become the most preferred way to pay for e-commerce by 2019, the United Nations Conference on Trade and Development has said in a report.



Credit and debit cards accounted for nearly 51% of all e-commerce payments in value terms in 2014. However, their share is expected to drop to 46% by 2019 as e-wallets and other alternative payment methods rise in importance.

Digital payments are dominated by credit and debit cards in developed regions, followed by e-wallets. However, in developing nations credit cards are rarely preferred as new online and mobile payment methods are growing in popularity, the report noted.

In countries such as Egypt, around 90% of e-commerce transactions are paid by cash on delivery, and reliance on cash is even more pronounced in least-developed countries.

The report noted that in China, the preferred payment method for business-to-consumer e-commerce is Alipay, which is used by 68% of all online shoppers in the country.

In Kenya, mobile money is more commonly used than credit cards for e-commerce, although cash on delivery remains the main method.

E-wallets were the most popular method of payment for cross-border transactions, although distributed ledger technologies such as blockchain may become increasingly used for cross-border payments in the future.

"This technology can make online payments safe, and being peer-to-peer, it is less expensive than intermediated payment platforms," the report stated. ■

CPP GROUP LAUNCHES WALLET-TRACKING CARD

UK-based CPP Group has launched a wallet-monitoring card, Lasu, which allows customers to cancel cards immediately if their wallet is lost.

The Lasu tracker card is integrated with the thinnest Bluetooth tracker currently available on the market, and CPP's card-blocking and replacement service.

The card syncs with a smartphone app to ensure constant monitoring. If a user cannot locate their wallet or cards, they can be cancelled instantly through the app or online. CPP will then contact the relevant card providers on behalf of the customer to arrange to cancel and replace lost cards.

The new product will be available in CPP's international markets, following a beta launch in the UK.

CPP Group product and marketing director Sid Mouncey said: "In our ever-more-mobile lives, we expect to do everything and anything on the go. That means carrying our worlds with us as we move. Our research found that the prospect of losing a card or wallet is commonplace, and consumers want to reduce the time taken to realise that their wallet is lost to prevent hassle and potential misuse.

"We're really excited by the launch of Lasu. For over 30 years we have brought peace of mind to millions of customers across the world in the event of card loss. Lasu provides greater control to prevent lost cards in the first place, but also provides immediate resolution if those cards are lost or stolen.

"We have the experience, the scale and the passion to provide this service and to make sure that the things that matter in people's mobile lives – such as their wallets – are always with them, wherever they go, whatever they do." ■

CANADA: CREDIT CARD DEBT RECORDS SUDDEN GROWTH

Canadian credit card borrowing has risen sharply, and the Bank of Canada has warned that rising household debt creates vulnerabilities for the country's financial system. *Robin Arnfield* reports

"The Bank of Canada [BoC] has been flagging the issue of elevated household debt for some time in its bi-annual *Financial System Review [FSR]*, published in June and December," says a BoC spokesperson.

The BoC's two *FSRs* in 2016 highlighted "the evolution of financial system vulnerabilities related to the high level of indebtedness of Canadian households and imbalances in certain housing markets." Potentially unsustainable house price rises in cities such as Vancouver and Toronto have added to the risk factors for household borrowing in Canada.

The Bank for International Settlements (BIS) warned in September 2017 that there are early warning indicators in credit-to-GDP ratios signalling "vulnerabilities" in Canada. It added that the stresses to the Canadian banking system are linked to property price gaps above critical thresholds, a measure linked to overheated housing markets.

In March 2017, the Canadian Mortgage and Housing Corp., a government corporation, warned that the steady rise of Canada's household debt-to-GDP level was putting Canada's long-term economic growth prospects at risk.

Historically, Canadians have been heavy debit card users, but data from Canadian processor Moneris Solutions indicates that credit cards now dominate card spending in Canada. Moneris also says that cash spending is set to decline significantly, accounting for just 10% of spending by 2030.

According to the Canadian Bankers Association (CBA), as at 30 October 2016 there were 75.3 million Mastercard and Visa credit cards in circulation and 35.4 million credit card accounts with balances in Canada.

In the year to 30 October 2016, the net retail volume on these credit cards totalled C$419.8bn, an increase from C$390.7bn a year earlier.

DELINQUENCY RATE

The 90-days-and-over delinquency rate – representing the percentage of outstandings at the end of the fiscal year – rose from 0.8% in the year to 30 October 2016 to 0.95% a year later, according to the CBA.

"In the past, we've seen debit card transactions moving to credit cards without debt levels increasing," says a Moneris spokesperson. "We believe the consumer preference to use credit cards may be due to other reasons: collecting points and rewards, ease-of-use for contactless, and the overall decline in the use of cash in favour of electronic payments."

The convenience of contactless credit cards, which do not require PIN entry, unlike contact-based cards, has contributed to the rise in credit card spending. "When contactless credit cards first appeared some years ago, they definitely replaced cash transactions," says Christie Christelis, president of Canadian consultancy Technology Strategies International. "But now it's more about people switching from contact-based to contactless card payments."

While Canadian banks have been issuing contactless debit cards containing debit scheme Interac's Flash contactless application, *CI* understands they have been doing so gradually, rather than a wholesale migration to contactless debit. This means debit-preferred consumers wanting to make contactless payments must use contactless credit cards if their debit card is still contact-based. "But the percentage of contactless credit card transactions due to debit cardholders forced to do contactless credit card payments as they don't yet have contactless debit cards, is small," says Christelis.

The drawback for banks of offering customers the option of making contactless debit payments as well as contactless credit card payments is that they risk eroding their interchange on contactless credit card payments. In Canada, debit interchange is a fixed amount, while credit card interchange is ad valorem.

Mastercard took an early lead in contactless credit card payments in Canada, which meant that BMO Bank of Montreal, as a major Canadian Mastercard issuer, had to face this dilemma, Christelis says.

"Interac Flash is enabled on every new or replacement BMO debit card, but there may be some existing users with older contact-only cards since BMO didn't force-issue new cards to every customer," a BMO spokesperson says. "Since June 2016, BMO now has approximately 2.9m Interac Flash-enabled cards in the market, comprising 66.7% of our total debit cards."

According to Visa Canada's VisaNet data, there were 27 Visa payWave transactions per second in March 2017 in Canada, or one Visa payWave transaction every .04 seconds. In March 2017, Visa payWave transaction penetration for total domestic, face-to-face transactions was 41.7%, up from 31.1% in March 2016.

Government agency Statistics Canada's data indicates that in the second quarter of 2017, household credit market debt as a proportion of household disposable income (excluding pension entitlements) increased from 166.6% in the first quarter of 2017 to 167.8%, as household income (+1.2%) rose more slowly than household credit market debt (+1.9%). This means that in the second quarter of 2017 there was C$1.68 in credit

CANADIAN CARD SPENDING DATA

QUARTER	CREDIT SHARE	DEBIT SHARE
Q2 2017	64.6%	35.4%
Q1 2017	64.8%	35.2%
Q4 2016	63.8%	36.2%
Q3 2016	65%	35%
Q2 2016	64.84%	35.16%
Q1 2016	64.66%	35.34%
Q4 2015	62.7%	37.3%
Q3 2015	63%	37%
Q2 2015	58.84%	41.16%
Q1 2015	62.73%	37.27%
Q4 2014	63.3%	36.7%
Q3 2014	60.2%	39.8%
Q2 2014	59.7%	40.3%
Q1 2014	59.74%	40.26%

Source: Moneris Solutions

CREDIT CARD DELINQUENCY – VISA AND MASTERCARD

YEAR	PERIOD END	DELINQUENCY RATE (90 DAYS+)	NET LOSS RATE (ANNUALISED)
2014	Jan 31	0.82%	3.10%
	Apr 30	0.80%	3.07%
	Jul 31	0.75%	3.01%
	Oct 31	0.78%	3.12%
2015	Jan 31	0.87%	3.47%
	Apr 30	0.81%	3.48%
	Jul 31	0.74%	3.30%
	Oct 31	0.81%	3.13%
2016	Jan 31	0.90%	3.40%
	Apr 30	0.87%	3.64%
	Jul 31	0.82%	3.50%
	Oct 31	0.87%	3.24%
2017	Jan 31	0.93%	3.55%

Source: Canadian Bankers Association
Includes data from all Visa and Mastercard issuers

market debt for every dollar of household disposable income. According to Equifax Canada's *2017 Q2 National Consumer Credit Trends Report*, total Canadian consumer debt (including mortgages) climbed 6.2% to $1.8trn nationally from $1.67trn in the second quarter of 2016.

"Even in the face of potential interest rate increases, consumers across Canada continue to borrow and spend to some degree," Regina Malina, Equifax Canada's senior director of data and analytics, said in a statement. "Their overall ability to pay back this money on time remains stable, though. As interest rates gradually rise, and borrowing costs increase, this trend may be impacted over time."

Equifax notes that Canadian delinquency rates, which were already low, are moving in the right direction nationwide compared to previous trends. In the second quarter of 2017, the average consumer debt (excluding mortgages), increased to C$22,595 and the overall delinquency rate fell to 1.09%.

The BoC's *Banking and Financial Statistics September 2017* report says that in the second quarter of 2017 credit card debt was up 5.4% from C$101.3bn in the second quarter of 2016 to C$106.8bn, while mortgages rose by 7.3% from C$1.11trn to C$1.18trn. Compared to the second quarter of 2012, credit card debt was up 29% in the second quarter of 2017, with mortgages up 34%.

"We've been seeing a big rise in credit card borrowing," says Christelis. "There's a lot of concern about this. But, as a percentage of credit card spending volumes, credit card borrowing has stabilised in the past few years. Credit card debt seems to be hanging around 21-22% of total credit card spending, which isn't as alarming as it might seem to be."

MACROECONOMIC FACTORS

Christelis says credit card borrowing should be viewed in terms of macroeconomic factors, and is unconvinced by claims that Canada's economy is set for significant growth.

"Some people are talking about 4.5% growth in Canada, and that is not at all likely," he says. "I do not see where this growth will come from. Canada has been in wonderland for the last six years due to low interest rates.

"Currently, the Canadian debt-to-household income ratio is 170%, which is not critical yet. If the economy does increase by 4%, as some people think, interest rates will rise dramatically. But, if interest rates increase, this will kill the housing market, which has really been a driver for the Canadian economy."

When the Canadian economy tanked in the last recession, consumers found it very hard to get credit cards. "Now banks are pretty much giving credit cards away," Christelis says. "People do realise they will be paying 20% or whatever on credit card loans.

"But, if they see sharp rises in interest charges on their mortgages or lines of credit, this will make it hard for them to pay credit card interest. If you are faced with paying your credit card interest or your mortgage, which will you pay?" ■

Q&A WITH RBC

What card payment trends has RBC seen among its Canadian customers?

Our clients consistently say they look for credit cards offering great benefits that are relevant to them – like earning loyalty points redeemable for rewards suiting their tastes and lifestyle.

We know Canadians like being rewarded for using their credit card for everyday expenditures in exchange for travel, merchandise, et cetera.

The growth of our retail cards portfolio is very strong, and the most recent Nilson data puts RBC again as number one in purchase volume in Canada.

Has RBC noticed significant growth in Canadian customers moving from cash to debit or credit cards?

The recent changes in the payments industry have accelerated with the advent of mobile and contactless card payments. In addition to the added convenience of new payment methods, our clients increasingly look to be rewarded for their loyalty.

The changes shaping the rewards space today directly impact the experience customers receive from their program. RBC is continuously bringing personalised, flexible and innovative products, programmes and innovations that meet our clients' needs.

We have increasingly noticed merchants are starting to offer more payment options, which further supports the increase in credit card usage.

Have contactless credit card payments taken a greater share of cash in Canada?

We continue to see growth in contactless payments. We're strong proponents of providing clients with the ability to choose how they pay and providing convenient solutions to support their payments needs. ■

PRODUCT LAUNCH: UBER READIES CREDIT CARD

Undaunted by its recent licence problems in London, ride-sharing business Uber Technologies plans to continue its apparent quest for world domination by launching a co-branded credit card with Barclaycard this autumn. *Robin Arnfield* reports

According to *The Wall Street Journal*, both Uber and its rival Lyft are planning credit cards for their US customers, with Uber opting for a Visa-branded card.

An Uber spokesperson confirmed to *CI* the accuracy of the *WSJ* report, but declined to provide details about the card. Lyft did not respond to *CI's* requests for comment.

Despite regulatory challenges in some markets such as London, which recently revoked Uber's business licence, demand for ride-sharing services seems set to grow.

According to a report by UK-based Juniper Research, *Sharing Economy: Opportunities, Impacts and Disruptors 2017-2022,* the number of ride-sharing drivers will increase from 4.3 million globally in 2017 to 8.6 million by 2022.

The report predicts that ride-sharing is set to represent 47% of sharing economy platform revenues by 2022. Ride-sharing platform providers can expect revenues to almost double across the period, from $11bn this year to $19bn in 2022, Juniper says.

PARTNERSHIPS

In the US, Barclaycard offers co-branded credit cards with high-profile partners such as airlines Jet Blue and American Airlines, and retailer Barnes & Noble.

According to Tiffani Montez, a senior analyst at Boston-based consultancy Aite Group, Barclaycard is among the top 10 credit card issuers in the US.

In the UK, Uber has a partnership with Barclaycard, under which UK Barclaycard personal credit cardholders get a free Uber ride in the UK, up to the value of £15 ($19.75), for every 10 rides paid for via Barclaycard until 31 December 2017.

The offer applies to any cities Uber operates in worldwide. Also, under the agreement, first-time Uber users who add a Barclaycard or Barclays personal debit card to the app receive up to £10 off each of their first two trips booked through Uber.

INDUSTRY COMMENT

"Barclays is trying to incentivise its customers to register their Barclays credit and debit cards for Uber payments, as a way to get them to register their Barclays cards for other new services that use card-on-file," says Anthony Pickup, an IT delivery specialist in retail payments at retailCURe, a credit union for UK retail employees.

Uber has an agreement with American Express in the US, under which Amex Platinum card members receive $15 in Uber credits for US rides every month, plus a bonus $20 in December, which totals up to $200 per year.

Lyft has a partnership with US airline Delta under which people linking their Delta SkyMiles and Lyft accounts earn one mile for every dollar spent on Lyft.

"It has almost become a game of one-upmanship between those two brands, Uber and Lyft," according to Will Hernandez, a US-based payments analyst specialising in the payments industry.

'LOYALTY 101 AT ITS BEST'

"Each wants to get their users locked into using a particular service. If I have a credit card from one of those ride-sharing services, I'm going to be more inclined to stick with one over the other because of the rewards I'll receive when I use that card to pay for rides. It's *Loyalty 101* at its best."

"In adopting this strategy [of credit card issuance], Uber is following a path well trodden in recent times by high-profile brands seeking to retain customer loyalty while developing additional revenue streams," says Windsor Holden, head of forecasting and consultancy at Juniper Research.

"As Uber is now one of the top US brands – and one that generates significant per-user revenues – it's perhaps not surprising that it's emulating companies such as Walmart."

"Uber's plans to launch a credit card with Barclaycard was announced during Barclays' earnings call in July 2017," says Zilvinas Bareisis, a UK-based senior analyst with Celent.

"While there are few details available, it seems like it will be a co-branded deal, so will likely offer rewards and perks related to Uber services. Generally, people who hold co-branded cards tend to be amongst the most loyal supporters of that brand."

"This isn't a real surprise, as both ride-hailing companies [Lyft and Uber] have millions of riders, as well as opportunities to cross-sell services," according to Raymond Pucci, associate director, research services advisory service at Mercator Advisory Group.

"Competition is heating up between the two companies, and Uber has been stumbling of late due to some mis-steps of its own making. So Uber figures a branded credit card will be a valuable marketing and loyalty tool to not only keep existing customers, but also win back those who have driven off with Lyft.

"In any case, credit card networks and issuers will continue to love the high-volume payment transactions and the fees that go along with them."

One potential market for Uber's credit card is its drivers. "The Uber co-branded card is a clever move on two levels," notes Pickup. "Uber drivers are micro-businesses with regular spending on fuel, etcetera. Secondly, Uber has to perform significant KYC on its drivers, and thus pre-checks these individuals who may not have a large identity footprint in certain countries."

REWARDS

Montez says the Uber-Barclaycard co-brand card has the potential to offer more than just free Uber rides as rewards.

"Uber is playing in a number of areas, such as Uber Eats which involves ordering take-out food for delivery by Uber drivers," she notes. Another business area is Uber's e-commerce delivery service, UberRush.

"Uber is working closely with entertainment venues to become the preferred ride service or to offer discounts on tickets," Montez continues. "I can see the Uber credit card offering rewards linked to entertainment events or Uber Eats. Because there is a price war between Uber and Lyft and many ride service customers are very price-sensitive, Uber needs to find ways to keep its customers loyal. I could also see Barclaycard tying in some of its reward partners like airlines to the Uber card."

DEBIT CARDS

Two other non-bank entrants to the cards market are Square, which recently announced an application for a US industrial loan company licence, and Venmo.

Square has launched a prepaid Visa debit card for users of its Square Cash money transfer service, which enables them to spend the funds in their Square Cash account.

According to US publication *TechCrunch,* Venmo has invited some of its active US customers to join a beta test of its Visa-branded debit card. The Venmo card will be issued by Metropolitan Bank through Shift Financial, a company that provides physical and virtual debit cards to payments providers, the publication says.

"We introduced the Square Cash Card for all Square Cash customers in June 2017," a Square spokesperson says.

"The physical card offers Square Cash customers another way to spend their balance, in addition to our virtual Square Cash debit card which was previously made available to our customers."

While Square Cash funds can be transferred instantly to bank accounts, there is a 1% fee; next-day transfers to customers' bank accounts are, however, free of charge. The Square virtual debit card can be used to make online and in-app payments. As an additional feature to appeal to its younger demographic, it offers users the ability to make purchases with Apple Pay at bricks-and-mortar retailers.

"In the case of Venmo and Square's debit cards, the play is a bit different from Uber and Lyft offering credit cards, but loyalty is involved to an extent," notes Hernandez.

"Venmo wants to give its users the ability to use the funds in their account whenever they want, instead of waiting a day or two to transfer those funds to a traditional bank account.

"Its debit card enables the user to utilise the funds stored in their Venmo account at bricks-and-mortar retailers. That should make banks nervous because it means lost transaction fees to Venmo. A Venmo-branded debit card also helps the company stay top-of-mind with its users," Hernandez adds.

"As for Square, it's the same concept of giving users instant access to Square Cash funds without having to transfer that money into a traditional current account. A user doesn't have to wait, and can enjoy the instant satisfaction of spending their money," he explains.

"Think about the college student in that situation: Do they really have time to wait a day or two for funds to clear if they need to use that money from their family to pay for books or food? Probably not." ■

HAIL LEBANON'S NEW PREPAID KING

The award-winning UberBLOM prepaid card launched in 2015

In September 2015, Uber partnered with Lebanon-headquartered lender BLOM Bank to launch its first card-based product, the UberBLOM prepaid card.

The first Visa prepaid reloadable card developed exclusively for Uber passengers collected *CI's* award for Product Innovation at the CI Prepaid Awards 2016 in Dubai.

Sebastien Wakim, general manager at Uber Beirut, says UberBLOM was developed in response to many requests received from the public, especially among younger people, as well as parents wanting safe, reliable rides for their children.

"The introduction of UberBLOM in Beirut, the first card of its kind in the world, is further testimony to the added benefits Uber can bring to Beirut and the support we have received in the city," Wakim explains.

The UberBLOM reloadable prepaid card, which can be personalised, has an annual fee of $8 and offers all first-time Uber riders who purchase the card their first two rides free of charge. ■

US FINANCIAL INSTITUTIONS EXPAND INSTANT CARD ISSUANCE

Financial institutions offering instant debit card issuance in their branches reap multiple benefits, particularly in terms of increased card-activation rates and higher interchange fees. *Robin Arnfield* reports

According to Aite Group senior analyst Tiffani Montez's report, *Instant Issuance: US Current State Assessment*, at the end of 2016, 2,715 US financial institutions (FIs) had implemented instant issuance across 40,771 branches. This amounted to 23% of total FIs in the US.

The report predicts that, by the end of 2017, some 3,312 FIs will have implemented instant issuance at 46,444 branches in the US. By 2021, this number will increase to 5,483 FIs at 67,075 branches, representing 55% market adoption across FIs in the US, it says.

Montez estimates that 39% of US banks with over $10bn in assets have adopted instant issuance, which will put pressure on smaller FIs to adopt the technology.

DEBIT

Montez says the majority of FIs offering instance issuance just do so for debit, not credit cards.

"This is partly due to fraud prevention, and because they started instantly issuing debit as pilots. Some FIS will eventually start issuing credit cards in branches, while others are holding out for digital credit card issuance," she tells *CI*.

"This means sending a virtual credit card direct to a mobile wallet and then mailing the plastic card.

"No one's really doing digital issuance yet, although it's on everyone's roadmap, and solutions will start to appear in the market over the next few years. But consumers have to be ready and willing to use digital debit and digital credit cards."

Montez says FIs have found that it is more expensive to issue cards in branches than in the mail, but that the customer satisfaction far outweighs the cost of in-branch issuance. "It is also about getting a card activated in front of someone so they do not stick an unactivated card in a drawer or delay a few days before activating," she says.

"Also, when you bring people into a branch, you can talk them through digital services like mobile banking and explain product features such as overdraft protection or reward programmes."

Montez says instant issuance will not rise beyond 55% penetration in the US market by 2021, as digital issuance solutions will be rolled out over the next few years and there will be less need for instant issuance.

> "NO ONE'S REALLY DOING DIGITAL ISSUANCE YET, ALTHOUGH IT'S ON EVERYONE'S ROADMAP

CHASE

To the US banking industry's general surprise, Chase discontinued its in-branch instant debit card issuance programme in 2017.

Chase was one of the first US banks to introduce instant card issuance in 2012. Other US banks such as TD Bank and PNC continue to offer instant debit card issuance, while Wells Fargo offers temporary non-personalised debit cards in its branches.

"We offer instant issue debit and credit cards across our 1,200-plus US locations," a TD Bank spokesperson tells *CI*.

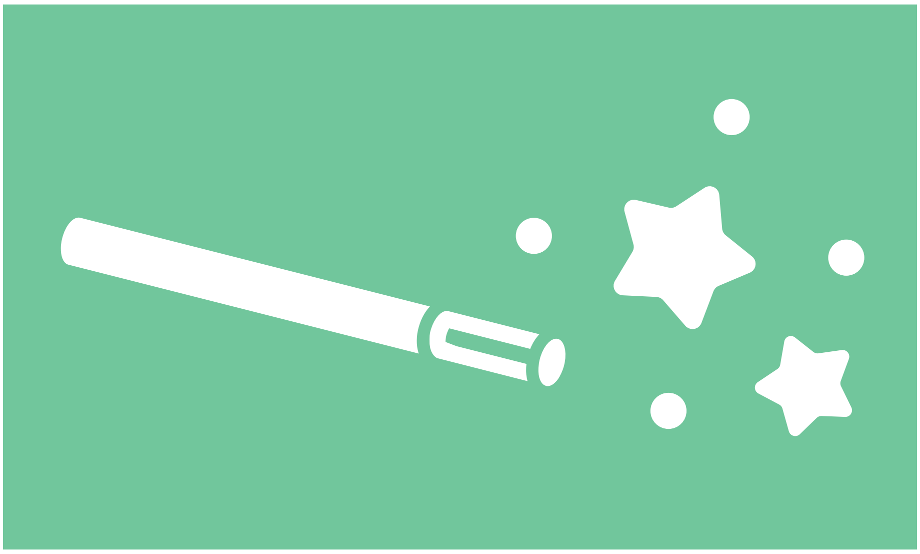
"There was a lot of speculation about why Chase discontinued its instant card-issuance programme," says Montez. "It sounds like it had more to do with cost. But Chase's move went against a strategic trend and what consumers expect."

The Wall Street Journal reported that Chase had experienced fraudulent claims for instantly issued debit cards in its branches from people with false IDs. However, a Chase spokesperson tells *CI* that this issue was resolved. "We found the issue and fixed the process almost two years ago, virtually eliminating the problem, and well before we decided to stop offering the service," she says.

The Chase spokesperson goes on to explain that if customers lose their card, they can have a temporary ATM-only card printed at the branch, or they can simply use a human teller to withdraw or deposit cash.

They can also pay a small fee to have a new card sent to them within 48 hours, if they do not want to wait.

CPI CARD GROUP



CPI Card Group offers the Card@Once in-branch personalised card-issuance platform. “Branches offering instant issue debit and credit cards eliminate the delay associated with postal delivery in instances of new accounts and compromised, lost or stolen cards,” says Rob Dixon, the business’s product director for instant issuance

“Also, they allow customers to use their card immediately, increasing card usage and interchange revenue. Card@Once isn’t currently provided [outside the US] internationally, except at some FIs that serve military bases across the globe. Currently, we have over 1,100 banks and credit unions actively using Card@Once across over 5,100 branches.”

Dixon says individual FIs offering instant issuance need to implement effective ID authentication procedures to ensure they issue cards to the correct cardholders. “The Card@Once application has reporting that can be leveraged to assist programme managers to identify potential fraudulent activity,” he says. “But the identification policies reside with the bank or credit union.

“The majority of our customers report that they experience operational savings from instant issuance, but these are hard to estimate with the variance in card types and fulfilment costs,” Dixon notes.

> “ WHEN A CARD IS ACTIVATED IN THE BRANCH, THE CUSTOMER CAN GO NEXT DOOR IMMEDIATELY AND START USING IT FOR PURCHASES

“Traditionally, FIs have viewed their instant issuance programmes from a traditional business case perspective: increased revenue through higher activation and usage of the cards issued and top-of-wallet position.”

With consumers demanding convenience and higher security, FIs are starting to see the benefit of instant issuance shift from those traditional drivers to being able provide a product via the branch that satisfies those customers’ demands, Dixon says.

“Our [US] customers have seen their instant-issuance programs ease their customers through the EMV transition by providing the FI with the opportunity to educate cardholders on why a chip has been added – higher security – and how to use it – dip it, not swipe it.

“In addition, instant issuance has provided FIs with the ability to respond in real time to security breaches at a time when those events are at historic highs.

“Not only is instant issuance of benefit in the traditional increased revenue sense, it helps the bottom line by minimising card portfolio attrition caused by changes in technology due to fraud-related events outside the control of the issuing FI.”

Dixon says that the ability to issue virtual credentials at the same time as issuing physical credentials has natural synergies to the traditional instant-issuance value proposition.

“As mobile wallets and ‘tap and go’ contactless payments catch on in the US, we anticipate the demand for virtual card issuance within instant issuance programmes to rise,” he concludes.

FISERV

US banking software vendor Fiserv offers a platform called Instant Issue Advantage: Tablet, which lets FIs issue Visa- or Mastercard-branded mag-stripe or EMV debit or credit cards using tablets. It also offers a desktop PC-based instant-issuance solution for FIs.

According to Fiserv’s US 2016 consumer research, only 63% of cards are activated on the day they arrive in the mail. Also, the majority of cards that are activated at home are not used in the first 30 days, Fiserv says.

“This means that the cardholder activates the card when they receive it, but they do not put it into their wallet and start using it,” explains Sharon Pazlar, director of Fiserv’s output solutions.

“When a card is activated in the branch, the customer can go next door immediately and start using it for purchases. If a card is not used, then the bank is not getting any interchange revenue on that card. We have found from surveys that cards instantly issued in branches have a higher transaction volume than cards activated at home”

Pazlar says the cost of instant-issuance technology can be offset by additional products and services sold to customers who come into a branch to activate their card.

“Our research also found that 47% of consumers we interviewed said it would be very important to get their card from their branch, and 36% said instant issuance would influence where they bank,” she says.

Pazlar says that Rochester, Minnesota-based First Alliance Credit Union has found that, by deploying Fiserv’s tablet-based instant-issuance technology, it brings more millennial customers into its branches.

“First Alliance gives the instant-issuance tablets to concierges who greet customers when they come into the branch,” she says.

“If the customer needs to activate a card, then they will sit down with the concierge in a living room-style environment in the front of the branch.” ■

COUNTRY SNAPSHOT: ISRAEL

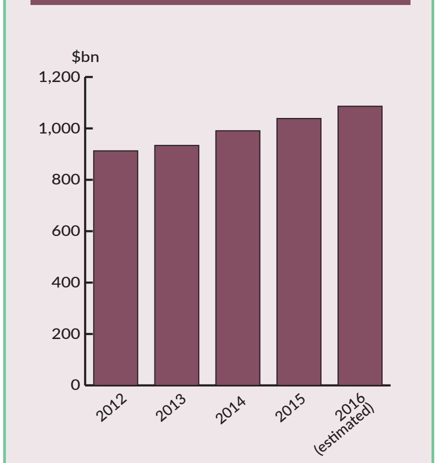
Israel is one of the most developed payment card markets in the Middle East. Despite this and numerous central bank efforts, however, consumers remain largely inclined towards cash, with debit cards in particular struggling for acceptance

Consumers in Israel are prolific users of payment cards.

The country registered the highest frequency of payment card use in comparison to its peers in 2016, with 155.4 transactions per card, as compared to Saudi Arabia with 99.0, Iran with 62.0, Kuwait with 54.9, the UAE with 49.8, Lebanon with 31.3, Oman with 22.4 and Bahrain with 18.1.

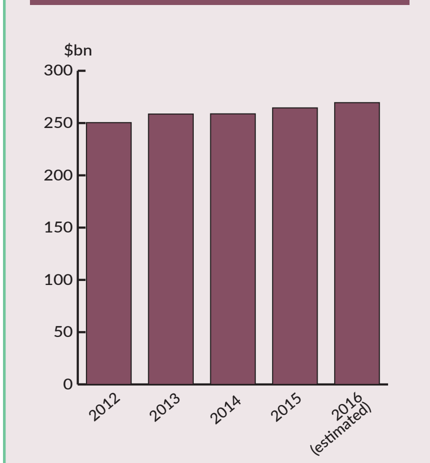
Despite growth in non-cash payments in the last decade, Israeli consumers are still strongly inclined towards cash. The Bank of Israel has made several regulatory interventions to boost electronic payments

VALUE OF CREDIT TRANSFERS



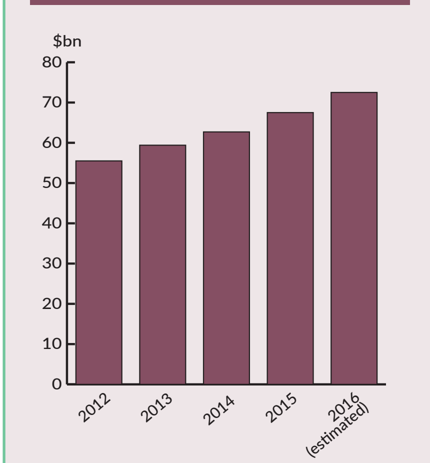
Source: Central Bank of Israel, GlobalData

VALUE OF CHEQUE PAYMENTS



Source: Central Bank of Israel, GlobalData

VALUE OF PAYMENT CARDS



Source: Central Bank of Israel, GlobalData and reduce dependence on cash, such as introducing a cap on cash transactions.

Israeli regulators are looking to open up competition by allowing new types of banking, such as mobile-only banks.

In February 2017, Bank Leumi launched Pepper, a mobile-only banking service offering savings and lending products. In January 2015, Bank Leumi launched a service enabling personal customers from all banks to open an account via the internet or mobile apps, without needing to visit a branch.

DEBIT CARDS

Israel's payment cards market is dominated by pay later cards, with limited adoption of debit cards.

All credit cards are a combination of deferred debit and credit cards, and function more like charge cards. Generally, credit cardholders are billed for purchases at the end of a month; however, in Israel the total outstanding amount in a given month is automatically debited from the customer's current account.

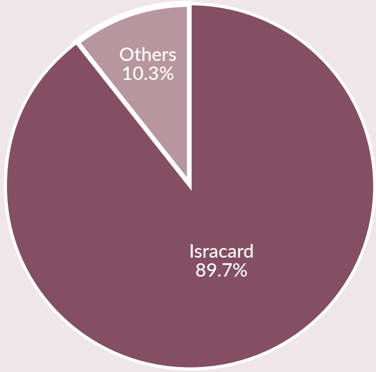
Adoption of debit cards remained low as retailers were reluctant to accept them due to the lengthy transaction process and high merchant service charges. While debit cardholders were charged immediately, amounts were credited to retailers' accounts at a later date – similar to the timing of deferred debit transactions – typically after a month.

In addition, retailers paid high merchant service charges for debit card transactions, at a similar rate to credit card transactions. With no incentive to favour a debit transaction over a credit transaction, merchants had little incentive to accept debit cards.

Debit card penetration in Israel was 10.3 cards per 100 individuals in 2016, lower than peers Iran (337.3), the UAE (109.3), Bahrain (97.4), Kuwait (93.1), Oman (85.8), Saudi Arabia (75.8) and Lebanon (33.4).

The central government took several initiatives between 2012 and 2016 to curtail cash transactions and encourage debit card use, including requiring banks to issue debit cards free of charge to new and existing accounts, reducing interchange fees on debit card transactions, and abolishing bank fees for debit card transactions. These initiatives are expected to increase overall debit card penetration and use.

DEBIT CARD SHARES BY ISSUER

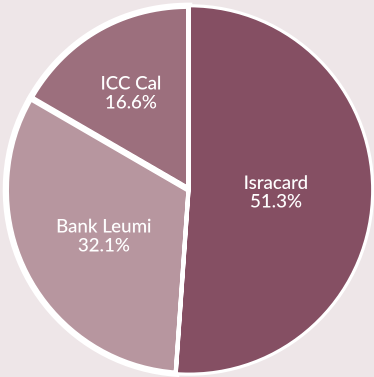


Source: GlobalData

DEBIT CARD SHARES BY SCHEME

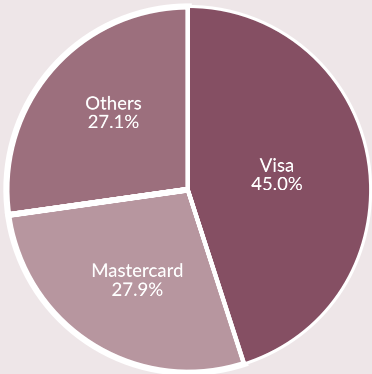
Source: GlobalData

PAY LATER SHARES BY ISSUER



Source: GlobalData

PAY LATER SHARES BY SCHEME



Source: GlobalData

BANKING SECTOR

A key aspect of Israel's payment cards market is the entrenched positions held by the three main credit card issuers, owned by the country's main banking groups.

The dominance of Isracard, Leumi Card and ICC Cal has long gone unchallenged for several reasons, including the barriers to entry for foreign issuers which lack the wide branch networks and distribution points of domestic issuers.

Another factor is that Israel is, at least in card payment terms, a small country. This has not gone unnoticed by banking regulators, which are cracking down on the perceived duopoly of Bank Hapoalim and Leumi Card. As a result, both banks have been asked to separate ownership of their credit card companies.

The country's third main credit card issuer, ICC Cal will be unaffected for four years, when the issue will be re-examined. Standalone credit card units are encouraged to become banks and will be subject to various incentives such as lower capital requirements.

ALTERNATIVES

A growing preference for secure electronic payments and deeper smartphone penetration saw credit card companies, payment service providers and telecoms companies launch alternative payment solutions, the latest being Mastercard's Masterpass in November 2015.

Users can shop online without providing payment and shipping information on every purchase. For online payments, Masterpass allows users to pay from a list of pre-stored cards and shipping information stored in a digital wallet.

The fast-growing e-commerce market is also supporting growth in alternative payments in Israel. PayPal, ICC Cal and mobile carrier service provider, Pelephone have active presences in the country. ■

COUNTRY SNAPSHOT: IRELAND

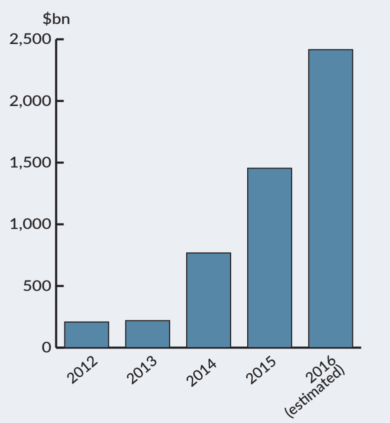
Cash has been a preferred instrument for Irish consumer payments, accounting for 55.7% of the total payment transaction volume in 2016. However, its use is expected to decrease as electronic payments grow, although credit card growth remains sluggish

Irish government initiatives to encourage the use of card payments, a surge in consumer and retailer uptake of contactless payments, and strong preference for emerging payments such as digital and mobile wallets are all expected to reduce cash's share in favour of electronic payments in Ireland over the forecast period.

Debit cards remain the preferred payment card among Irish consumers, accounting for 81.6% of the payment card transaction value in 2016. Rising consumer use of debit cards for low-value transactions, the growing banked population, the government's launch of the National Payments Plan to encourage use of electronic instruments such as debit cards over cheques, the removal of stamp duty on ATM transactions, and the lowering of interchange fees to a minimal 0.1% were key factors supporting use of debit cards.

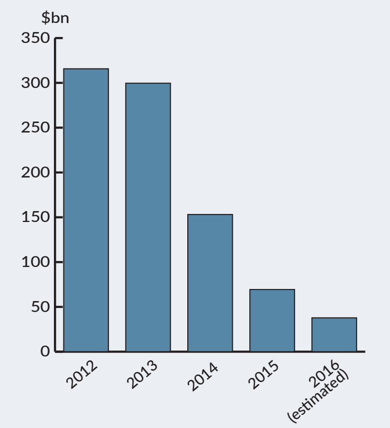
High interest rates on credit cards and the ready availability of overdraft facilities also shifted consumer preference towards debt-free financial products.

VALUE OF CREDIT TRANSFERS



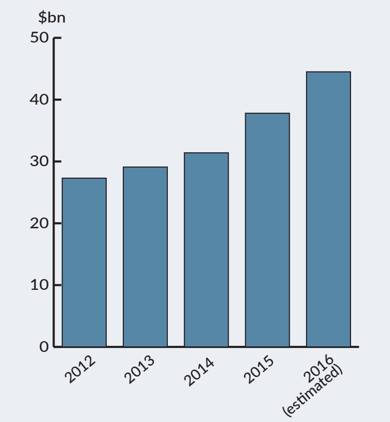
Source: ECB, GlobalData

VALUE OF CHEQUE PAYMENTS



Source: ECB, GlobalData

VALUE OF PAYMENT CARDS



Source: ECB, GlobalData

Overall, the credit cards market registered a sluggish CAGR of 0.59% between 2012 and 2016 in terms of transaction value. As bank lending slowed during the eurozone crisis, Irish consumers began to limit credit card spending. Banks also applied more stringent lending requirements, which increased the adoption of debit cards, as consumers preferred to spend only what they had.

INTERNATIONAL ACQUIRERS

International merchant acquirers are entering the Irish payment cards market through partnerships and acquisitions.

US-based acquirer First Data, with Allied Irish Banks, entered into a partnership with China UnionPay (CUP) in June 2014, to become the first merchant acquirer in Ireland to provide payment acceptance services for CUP debit and credit cards.

In August 2014, Evo Payments, a leading merchant acquirer in North America and Europe, partnered with Bank of Ireland to expand its merchant acquiring business in Ireland. The services are marketed through Bank of Ireland Payment Acceptance, which is primarily responsible for offering payment card solutions to Irish merchants.

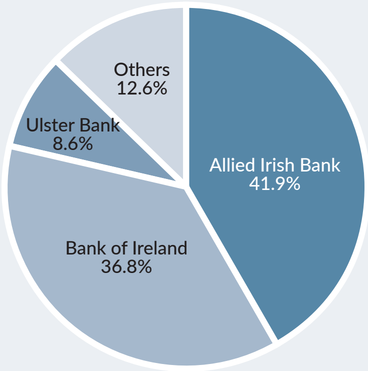
E-COMMERCE GROWTH

E-commerce in Ireland posted a CAGR of 11.77%, growing from $7.7bn (€7.3bn) in 2012 to $12bn in 2016. Rises in online and smartphone penetration, the number of online shoppers and the availability of payment gateways supported e-commerce's growth in the country.

Leading e-commerce websites in Ireland include Linwoods Health Foods, James Whelan Butchers and McElhinney's Ballybofey Donegal. In addition, global giants eBay, Apple, Zynga.com and Amazon have presences in the country.

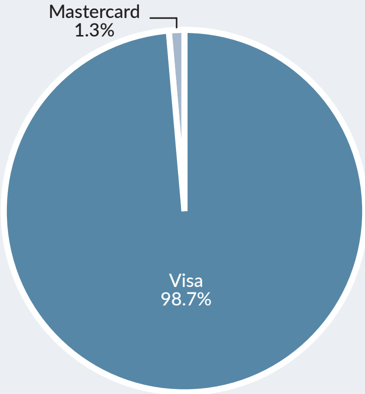
Although payment cards were the most preferred mode of e-commerce payment, accounting for 75.4% of online payments in 2016, emerging methods such as digital and mobile wallets are gaining prominence in e-commerce. Overall, digital and mobile wallets and carrier billing accounted for 24.2% of the total e-commerce transaction value in 2016, up from 12.8% in 2012. Several international operators, including Masterpass, PayPal and Single-Click, are expanding into Ireland to benefit from the lucrative market.

DEBIT CARD SHARES BY ISSUER



Source: GlobalData

DEBIT CARD SHARES BY SCHEME



Source: GlobalData

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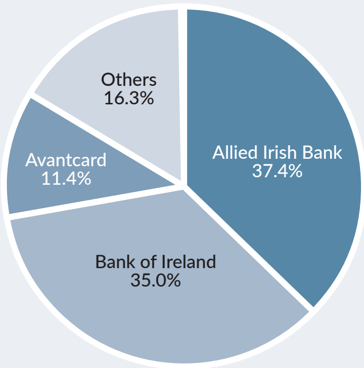

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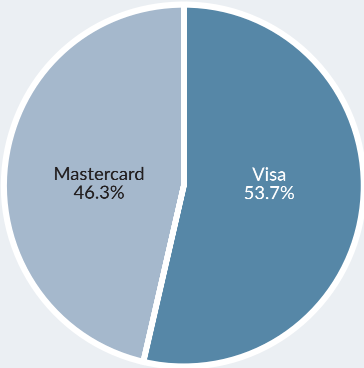


Source: GlobalData

POS INSTALLATIONS

The number of POS terminals in Ireland rose from 152,144 in 2012 to 159,375 in 2016, at a CAGR of 1.17%. This was supported by an increase in the number of installations at smaller retail outlets, enabling growth in card-based payments.

POS terminal numbers are expected to increase further in the near future, to reach 169,840 in 2020, as the number of retailers installing contactless POS terminals rises.

The growing payment cards market has encouraged several mPOS solution providers to enter the Irish market. For instance, Payleven launched a low-cost mPOS terminal for $67.30 in March 2015. In October 2014, online payment solution provider Paysafe partnered with Irish mPOS solution provider Handpoint to introduce mPOS terminals. The terminals are compatible with Android and iOS smartphones and tablets, and can be linked via Bluetooth.

DEMAND FOR PREPAID

A wide range of prepaid card variants are issued on the Visa and Mastercard networks in Ireland. Mastercard offers three types of prepaid card to Irish consumers, the Mastercard Everyday Money Prepaid Card, the Mastercard Gift Prepaid Card and the Mastercard Travel Prepaid Card.

While banks in Ireland focus on promoting debit and credit cards, non-banking companies tend to focus on prepaid cards. In 2009, An Post issued the first Mastercard-branded prepaid card in association with airline Ryanair.

An Post offers the PostFX Mastercard Currency Card, which is issued free of charge with no top-up charges. It can be loaded with UK pounds and US, Canadian or Australian dollars. In 2013, the Good Food Ireland Foundation offered a Mastercard-branded prepaid card, accepted at hotels, restaurants, cafes and pubs. ■

COUNTRY SNAPSHOT: TURKEY

The Turkish cards market remains highly competitive, with factors such as successful economic performance, a young population and a well-developed payment infrastructure making it appealing to banks and issuers

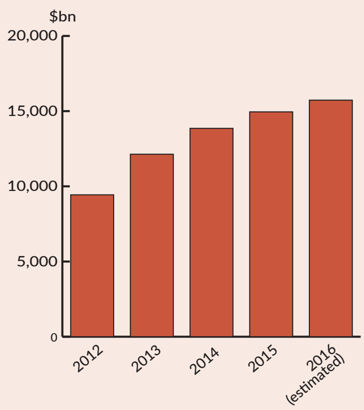
Turkey's card penetration stands at 2.3 cards per inhabitant – the highest level among peers including Poland, Russia, Romania, Ukraine, Kazakhstan and Azerbaijan.

The average annual spend per card in the country is higher than for most of its peers.

Cash remains a key part of the overall payment system in Turkey, although with time and increased financial literacy and awareness it is gradually being displaced by payment cards.

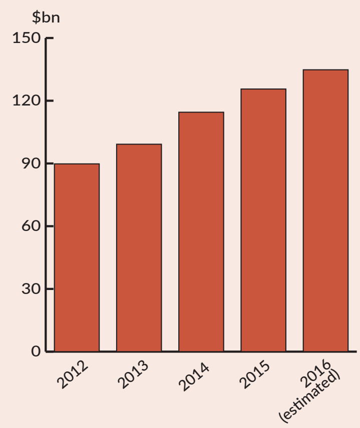
With various marketing initiatives, such as the Bye Bye Cash campaign conducted by banks and the Interbank Card Centre

VALUE OF CREDIT TRANSFERS



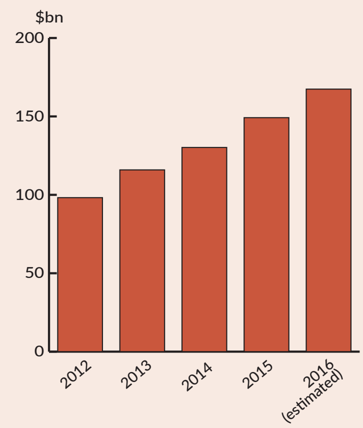
Source: Central Bank of Turkey, GlobalData

VALUE OF CHEQUE PAYMENTS



Source: Central Bank of Turkey, GlobalData

VALUE OF PAYMENT CARDS



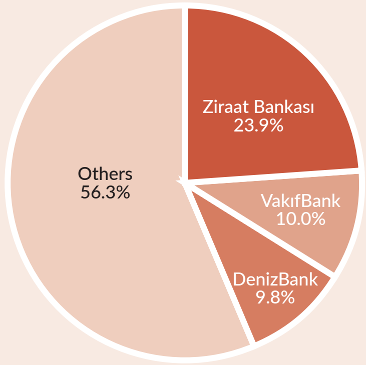
Source: Central Bank of Turkey, GlobalData of Turkey (BKM) to create consumer awareness of the benefits of electronic payments, the share of cash-based transactions is expected by fall further over the next five years.

In contrast to payments at retail outlets, most online payments are made with cards and, increasingly, alternative instruments.

Contactless technology is gradually gaining popularity in Turkey, with the number of contactless payment cards rising from 10.3 million in 2012 to 29.1 million in 2016; it is anticipated to rise further to 55 million by 2020.

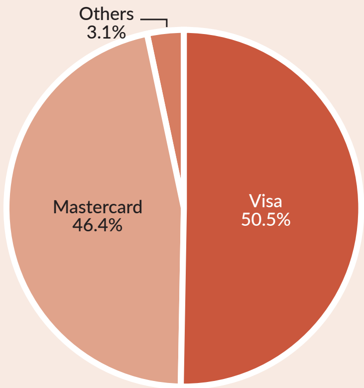
The rising number of contactless cards and growing number of retailers accepting contactless payments will further drive payment card transaction values and volumes.

DEBIT CARD SHARES BY ISSUER



Source: GlobalData

DEBIT CARD SHARES BY SCHEME



Source: GlobalData

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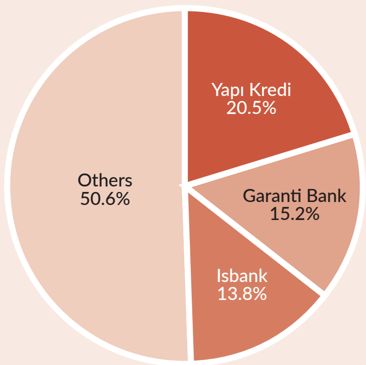

Source: GlobalData

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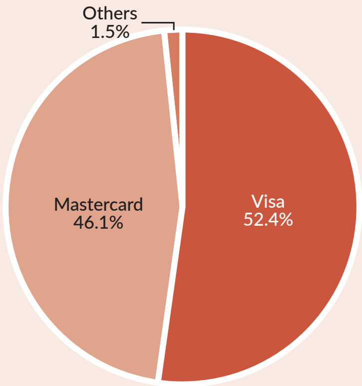

Source: GlobalData

CREDIT CARD REVIVAL

Excessive use of credit cards and rising individual and corporate loans have led to increased consumer debt in Turkey in the past five years.

In February 2014, the Banking Regulation and Supervision Agency (BRSA) placed limits on credit card use in relation to cardholder income, and restrictions on instalment facilities for certain products.

Also, the minimum monthly repayment for outstanding credit card debt was raised to from 25% to 30% of the total amount, and banks increased interest rates on credit card borrowings. These measures led to a slowdown in credit card market growth.

However, in a move to spur consumer spending, the BRSA relaxed regulations on credit card and consumer loans in 2016. According to the new guidelines, consumer loan maturity limits rose from 36 to 48 months, and credit card purchases can be made in 12-month instalments, up from nine months. This measure is expected to provide a push to the country's credit cards market.

ALTERNATIVES GAIN

The fast-growing e-commerce market is acting as a driver of payment cards market in Turkey. E-commerce registered a CAGR of 32.88% in the space of five years, rising from \$7.8bn (TRY27.9bn) in 2012 to \$24.3bn in 2016.

Conventional instruments, including payment cards, remain the preferred mode of payment for e-commerce, accounting for 85.0% of the total e-commerce transaction value in 2016.

However, alternative payment instruments are gaining prominence, with banks, mobile network operators and payment solution providers launching new products. A number of alternative payment solutions, such as BKM Express, Masterpass, PayMobile and PayU are present in the country.

Mobile wallets, digital wallets and carrier billing collectively accounted for 7.3% of the total e-commerce transaction value in 2016 – up from 1.2% in 2012.

PREFERENCE FOR PREPAID

The Turkish prepaid cards market recorded a significant CAGR of 16.96% between 2012 and 2016.

A large unbanked population drove demand for prepaid cards in the country, as the unbanked population accounted for 42.9% of the total population in 2016.

Gift cards are slowly gaining popularity among Turkish consumers, as many individuals prefer gift cards for occasions such as birthdays and holidays. The cards can be loaded with the desired amount and then given as a gift.

For instance, Yapı Kredi offers Visa Electron World Gift card. Funds can be loaded at all World Member Business Locations. Similarly, Edenred Company provides the Mastercard Ticket Compliments gift card that can be used at over 1 million terminals.

In addition to retail customers, a number of prepaid cards are offered to corporate customers in the form of travel, payroll and business cards.

For example, Garanti Bank offers the Corporate Travel card, which helps employees to effectively manage travel and other expenditure. Similarly, Best Western Turkey, a leading hotel chain, offers prepaid corporate travel cards, which are available in multiple currencies. ■

SCOTIABANK CLAIMS FIRST IN DEBIT CARD REWARDS

Scotiabank has unveiled its new Scotiabank Passport debit card, allowing Canadians to use debit cards to earn travel rewards. As the only Canadian financial institution to offer entertainment, cashback and now travel rewards on debit, Scotiabank says the new card initiative gives it a competitive advantage, writes *Douglas Blakey*

Eighty per cent of consumers want to be rewarded for their business, according to the 2015 *Financial Consumer Survey*, and debit rewards are unique in the Canadian market.

Canadian debit cardholders can now maximise the rewards they earn on everyday purchases, according to Scotiabank, with its new Scotiabank Passport Debit Card.

In a May 2017 survey, *The Battle for Love and Loyalty,* sponsored by Visa and published by Bond Brand Loyalty, Scotiabank was ranked first by customers on all rewards metrics, including 'programme satisfaction' and 'likelihood to recommend.

"We know that Canadians are increasingly looking to be rewarded for their business in a meaningful way," says Mike Henry, executive vice president, retail payments, deposits and unsecured lending, Scotiabank.

"Our new Passport Debit Card strengthens our travel rewards offering to one of the best in the industry. By offering a variety of reward options on both debit and credit cards, and with new cards added to our portfolio, we are providing customers more flexibility in the way they earn and more choice in how they can redeem their rewards."

According to Scotiabank, the keyword is 'choice': choice in rewards and choice in how customers want to be rewarded.

The products launching or relaunching this quarter include:

- **Scotiabank Passport Debit Card.** Use debit to earn travel rewards on everyday debit purchases. Every debit card purchase offers one Scotia Rewards point for every C$5 spent. The card features a bonus introductory offer of up to 10,000 points;
- **Scotiabank GM Visa Business Card.** Business owners can now separate business and personal expenses while earning GM Earnings towards the purchase price or lease of a new Chevrolet, Buick, GMC or Cadillac. Business owners earn 5% in GM Earnings on the first C$10,000 spent annually on their card, and 2% on everyday purchases thereafter, with no earning or redemption caps.
- **Scotia Momentum Mastercard.** This Mastercard credit card launches this quarter and is designed to cement Scotiabank's position as the first financial institution in Canada to offer customers the choice of rewards cards from all three credit card providers: American Express, Visa and Mastercard.

  The Scotia Momentum Mastercard Card earns 1% cashback on gas, grocery and drug store purchases and recurring payments, plus 0.5% on everyday purchases thereafter, with no annual fee and no limit on cash back.
- Scotiabank has updated its credit travel offering with another card option: **The Scotiabank American Express Card** has been relaunched as a no-annual-fee travel credit card that enables customers to earn Scotia Rewards on everyday purchases.

LOVE AND LOYALTY

The Canadian love of rewards programmes is evidenced by a rise of 25% in total programme enrolment over the past four years to 12.2 programmes per member

The cumulative points liability for all programmes in Canada is estimated to be valued at roughly C$16bn, according to Bond Brand Loyalty.

This value represents both risk and opportunity for loyalty operators – redeeming even a small proportion of these points would likely create many great member experiences, however the sheer value of this unredeemed currency highlights the importance for loyalty operators to offer cost-effective redemption options.

The fact that Canadians have collected and not redeemed such a high level of points suggests that programmes could be doing a much more effective job of engaging members and driving redemption behaviour.

Around 40% of members do not have a redemption goal; in other words, they do not have an intended use for their accumulating points. Members without a goal are 10% less satisfied, suggesting that the simple process of encouraging members to set a redemption objective can drive up member satisfaction.

However, the number of programmes in which members are active, meaning they have earned or burned programme benefits or rewards, is virtually unchanged at just under 7.2 (60%).

The Bond report suggests that this means reward programme members have an interest in continuing to enrol in additional programmes, yet their capacity to engage has reached a threshold.

The Bond report surveyed over 28,000 consumers earlier this year. In the best Canadian co-branded debit card survey, PC Financial's debit card ranked first ahead of Scotiabank's Scene debit card and Bank of Montreal's BMO Air Miles debit card. ■

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