

Delivering innovative
mobile & online financial services
solutions to organisations that
need to provide secure access

To find out more about us please visit:

www.intelligentenvironments.com



We are an international provider of innovative mobile and online solutions for financial service organisations. Our mission is to enable our clients always to stay close to their customers.

We do this through Interact®, our single software platform, which enables secure financial applications, engagement, transaction and servicing across all digital channels. Today these are predominantly focused on mobile, PCs & tablets. However Interact® can and will support other form factors, as and when they proliferate (as seen by our work to develop digital banking for the Smartwatch).

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.

CONTENTS

- 2 COMMENT: DIGITAL**
David Parker and Patrick Brusnahan share their respective views on mobile apps in petrol forecourts and whether 2015 really will be the year of Bitcoin
- 6 REVIEW: FINOVATE EUROPE 2015**
Anna Milne and Patrick Brusnahan report from London's biggest annual fintech event, and look closer at some of the disruptive technology stars from the two-day conference, from cloud technology to mobile apps and more
- 10 DISTRIBUTION: SOCIAL MEDIA**
 One of the most intriguing of modern-day trends is the emergence of social media, providing new payment options, but everybody's wondering: will these actually be successful? **Patrick Brusnahan** investigates
- 12 COUNTRY REPORT: LEBANON**
- 13 COUNTRY REPORT: COLOMBIA**
- 14 COUNTRY REPORT: CROATIA**
- 15 COUNTRY REPORT: PAKISTAN**
- 16 GUEST COMMENT: TOBIAS SCHREYER**
 The PPRO Group's co-founder and CCO examines the opportunities and difficulties when transacting business with consumers in China



Mobile money: a stellar year but still unavailable in 40% of developing markets



The rate of growth in mobile money never ceases to amaze. I am obliged to the GSMA for sharing some of the stats that will form its Industry Report on Mobile Financial Services.

With more than 250 services deployed in 89 countries globally, mobile money is transforming the way people access financial services, while offering new business opportunities for operators. This trend will continue to increase as smartphone penetration rises.

Telcos such as Axiata, Bharti Airtel, Etisalat, Millicom, MTN, Ooredoo, Orange, Telenor, Turk Telekom, Vodafone and Zain have all played their part in accelerating interoperability of mobile money services.

The number of registered mobile money accounts globally grew to reach just under 300m in 2014. In the same year seven new markets joined the ranks of countries where there are more mobile money accounts than bank accounts, bringing the total to 16, indicating that mobile money remains a key enabler of financial inclusion.

And yet, there remains huge potential for future growth, as these accounts only represent 8% of mobile connections in the markets where mobile money services are available.

One of the most interesting stats disclosed by the GSMA relates to the number of remittances via mobile money.

Mobile money is helping to slash the cost of international remittances for users with

the median cost of sending \$100 via mobile money just \$4 less than half the average cost to send money globally via traditional money transfer channels.

Looking ahead, there remain 54 developing countries that do not have a live mobile money service, including 13 countries with a population of over 10m.

There also remains huge scope for further growth in governments and companies putting their trust in mobile money services for the distribution of salary, social security and benefits disbursements.

The value of bulk disbursements globally grew by 59.1% in 2014 while the average transaction value stayed roughly the same at \$52.70 in December 2014.

South Asia accounted for 46.4% of all bulk payments processed in December 2014, mostly reflecting increased usage by governments to distribute social benefit payments.

Perhaps the most encouraging conclusion the GSMA draws from its research is that the industry is getting smarter about what it takes to prompt mobile money adoption, with 21 services now boasting more than one million active accounts.

It is to be hoped that the ongoing challenges such as regulatory barriers, low levels of investment and lack of industry collaboration will be addressed to ensure that mobile money will reach scale to become and remain profitable.

Douglas Blakey - Editor
douglas.blakey@uk.timetric.com

ELECTRONIC PAYMENTS INTERNATIONAL

Financial News Publishing, 2012
 Registered in the UK No 6931627
 ISSN 0956-5558

Unauthorised photocopying is illegal. The contents of this publication, either in whole or part, may not be reproduced, stored in a data retrieval system or transmitted by any form or means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publishers.



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: ameet.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: 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

Payments and Petroleum

Using your mobile phones at petrol stations is not allowed- so why the new in-car pump payment app, **David Parker** asks

The United Kingdom Petroleum Industry Association has very clear advice on its website about using mobile phones in petrol forecourts. To quote: “The use of mobile phones on UKPIA members’ forecourts is actively discouraged for several reasons:

“Risk of incendive sparking – Mobile phones are not designed and certified for use in explosive atmospheres which exist temporarily around the pump and nozzle during refuelling as well as around the fill and vent pipes during petrol deliveries. Such use is expressly forbidden by law under the conditions of the petroleum licence and associated guidance.

“Whilst the risk of incendive sparking from mobile phones is low, they are not intrinsically safe devices and should not be used in those hazardous areas that exist on a forecourt. (Generally, there is no need to restrict the use of mobile telephones in other areas of the forecourt, such as in the shop, in motor vehicles parked on the forecourt or in other non-hazardous areas.)”

In fact, Article 115 of the General Traffic Regulations prohibits “keeping the engine, lights, as well as electrical systems such as the radio or devices that emit electromagnetic radiation turned on”.

And this advice and regulation really is enforced by petrol retailers, as this great chatroom piece from practicalcaravan.com verifies. It reads: “As I pulled into the petrol station my wife was sitting in the passenger seat talking to our daughter on her mobile. I stopped at the pump, got out and proceeded to fill the tank with fuel as you do. Next there was a tannoy message: “Would the person at pump 12 stop using their mobile phone”. As I was at pump 12 I took no notice as I was not using my phone. Then the message played again, I still took no notice as I was not using my phone. Then the petrol pump got turned off.

The tannoy message then said: “Stop the person inside your car using the phone.” Now, as the windows were closed, I had to then leave the nozzle unattended and go to my wife’s door to tell her to stop the call.

Finally, BP claims that if you drop a mobile

phone, a spark can be produced when the batteries are knocked loose and this could be hazardous because of the flammable vapours produced by petrol products.

So why is this relevant? Well, it’s just been announced that Paypal and Shell have teamed up to roll out mobile payments to petrol pumps across the UK from April.

When filling up their cars at any of Shell’s 1,000 UK petrol stations, drivers will be able to pay directly on their smartphone using either the Shell motorist app or the PayPal app. After driving onto the forecourt, the customer selects the corresponding pump on the app by scanning a QR code – not quite sure how you do this while sitting still in the car though, because we are told this is an ‘in-car-only’ experience for safety reasons. The app then authenticates the transaction and the customer can fill up and go. When refuelling is complete, a receipt is automatically sent to the phone, letting the customer drive away knowing the transaction was a success.

The technology was trialled in 2013 and members of the Shell Drivers’ Club will be able to try a pilot service in April, before the system is rolled out nationwide late this year.

Plenty is written about the ‘myth’ of the mobile phone and the petrol forecourt. But no one until now seems to have told the petrol retailers. It will be interesting to see how the person behind the till seeing me on my phone decides if I am making a call, sending a text or trying to find the QR code to pay the bill!

The Energy Institute in conjunction with Intellect, the trade association for UK IT, telecoms and electronics industries, conducted a study into the ignition risk of flammable vapours from mobile phones. The main conclusions were that:

- There were no confirmed ignition incidents associated with mobile phones anywhere in the world.
- Mobile phones, although not specifically designed to standards as ‘protected equipment’, pose a negligible ignition risk, and one that is far less than other ignition sources on a fuel forecourt.

Bitcoin 2015

The year of the crypto currency begins with a whimper, says **Patrick Brusnahan**

At the end of last year, many industry experts were predicting that 2015 would be the year that bitcoins were finally legitimised and would finally be a mainstream alternative currency.

Within seven days of the New Year, Europe’s biggest bitcoin exchange was hacked, leading to a major loss.

Bitstamp lost approximately \$5m in bitcoins in this attack at the beginning of the year due to a cyber attack owing to a bug in the virtual currency’s underlying software.

This led to them closing business down for a week to recover. This follows several significant attacks over the previous year.

The firm faced a similar attack in February 2014 which led to withdrawals being ceased despite the company believing that no bitcoins were stolen on that occasion.

The biggest hindrance, however, was Japan-based Mt. Gov, at one point handling 70% of all Bitcoin transactions, filed for bankruptcy and was eventually liquidated in April 2014.

This comes alongside with bitcoin value falling to \$170, a stark contrast to its peak value of \$1150 in 2013.

The Bitcoin Foundation, an organisation with the mission to standardise, protect and promote Bitcoin, stated it was working on fixing the issue, but it may just be too little too late.

Well regarded Bitcoin outfits are losing their legitimacy. This includes the aforementioned Bitcoin Foundation whose recent board member elections have been runoff due to low voter turnout.

In the midst of all these problems, many are all too keen and predictions of the ‘death of Bitcoin’ coming to the fore. This is not a new development.

In fact, according to bitcoinobituaries.com, Bitcoin has already been proclaimed dead on thirty occasions.

Despite recent pitfalls, 2015 could well end up proving predictions right and Bitcoin could achieve legitimacy.

If not, you can be sure people will predict 2016 to be the year. If not, then 2017, and so forth. ■

BITCOIN

San Francisco opens its first bitcoin retail store

20Mission, a 41-room community in San Francisco for art and technology creators in the Mission District, has unveiled its plans to launch the first bitcoin retail store in San Francisco: Nakamoto's Electronics.

The venture, which follows the initial business concept behind another 20Mission start-up Purse.io, has been funded, mostly, by Brazilian peer-to-peer lending platform

BTCJam, which gathers investors and bitcoin enthusiasts.

Nakamoto's Electronics will offer a range of electronic goods, including Chromebooks, Amazon Kindles, Apple headphones, and Raspberry Pis in lieu of crypto currencies at a minimum 10% discount from flat currency prices.

The company will have a BTM – a bitcoin

ATM on site allowing users who only have cash to purchase bitcoin and take the discount on the spot.

Purse.io CEO Andrew Lee said: "San Francisco needs a killer bitcoin merchant and store. Despite what the rest of the world thinks, there are very few practical merchants that accept bitcoin in the Bay Area." ■

WEARABLE TECH

Swatch to launch smartwatch

Swiss watchmaker Swatch Group, with a brand portfolio comprising Tissot, Longines and Omega watches, plans to launch a smartwatch featuring mobile payment functionality in the next two to three months.

The device will operate via Near Field Communication (NFC) technology supporting both Windows and Android operating systems and will not require charging using electricity.

The Swatch smartwatch will allow

consumers to make mobile payments using the device at stores and will include features like SMS display and smartphone notifications and incoming call alerts, with plans to incorporate other advanced features including batteries that can double performance.

Swatch Group CEO Nick Hayek said: "We'll implement all of those into new products. Some of them, such as the battery, will take a few years though, and are also destined for other industries, like the automotive industry." ■

QATAR

Doha Bank commences debit card acceptance for mobile commerce

Doha Bank has introduced its new payment innovation feature offering residents of Qatar the option of making 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 trusted 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, wherever they are." ■

UK

Big surge in contactless card use in the UK

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

The Association reveals that 58 million contactless cards, 36.9 million debit cards and 21.2 million credit or charge cards were in circulation in the UK at the end of 2014, a 52.2% rise on December 2013.

The total number of contactless transactions, which use secure 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." ■

UK

Google brings Gmail payment service to UK

Search giant Google has launched its Wallet services in the UK offering users payments through Gmail accounts.

The Send Money in Gmail service will allow users in the UK with linked bank accounts to attach money

to an email message by and send to anyone who uses Google Wallet.

There's a transaction limit of £5,000 (\$7,691) and a transfer limit of £10,000 over a five-day period. Google will permit transfers between UK bank accounts without any fees for transactions direct from a Google Wallet balance or a debit card, but will charge a flat 2.9% transaction fee for credit card transfers.

The feature, which is due for roll out over the coming weeks, will be available to all UK Gmail users aged at least 18.

In a blog post, Google Wallet product manager Travis Green said: "You can also request money in Gmail by hovering over the attachment paperclip and clicking the 'pound' icon to attach the request to a Gmail message." ■

US

US government to add Apple Pay as payment option in September

The US government has unveiled plans to accept Apple Pay mobile payments, starting in September, for Social Security Benefits, National Park admission and other similar services.

The deal will enable social security and war veteran benefit recipients to add their government-issued debit cards to Apple Pay. This excludes the Direct Express payment network and government cards issued through GSA SmartPay. The deal will allow Apple Pay to extend beyond the private sector and venture into the public service sector, with access to GSA SmartPay, which

handles more than 87 million transactions totalling to \$26bn every year.

At the White House Summit on Cybersecurity and Consumer Protection in mid-February, Apple CEO Tim Cook said: "We're also working to make sure credit and procurement cards issued to government employees for their expenses can be used with Apple Pay, and we're working on initiatives with leading banks and networks to use this technology with benefits programmes like social security and veteran's pensions that serve citizens at both the state and federal level." ■

INDIA

ICICI Bank launches electronic wallet in India

Indian private sector lender ICICI Bank has launched a digital wallet, named Pockets, on the Google Playstore.

The e-wallet will use a virtual Visa card enabling customers to transact on any website or mobile application in India.

Pockets will allow users to send money instantly to any email ID, mobile number, Facebook friend or bank account, besides enabling payment of bills, recharging mobiles, booking movie tickets, ordering food, sending physical and e-gifts, and splitting and sharing expenses with friends.

The bank will also permit users to add a savings feature to the wallet, allowing them

to earn interest on their idle money.

The product will be available to existing ICICI Bank customers through their internet banking login credentials and authentication of their one-time password. Non-ICICI Bank customers can also utilise the service via any bank's internet banking or debit card.

ICICI Bank managing director and CEO Chanda Kochhar said: "Today's youth wants everything instantly, on the go. 'Pockets' addresses this need by allowing anyone to open an account on their mobile phone in an instant and start transacting immediately." ■

MPOS

FCMB rolls out mPoS terminal

First City Monument Bank (FCMB), a Nigeria-based full-service banking group, has launched a mobile point of sale (mPoS) terminal, named FCMB PayPad, to support the growth of small and medium-size enterprises and the country's cashless policy.

The FCMB PayPad, a portable device, will allow Nigerian merchants to process payments via a smartphone or tablet synchronised with the device via a freely downloadable mobile application.

The device, which can be obtained free from FCMB branches across the country, will permit customisation to suit merchants' needs, ranging from inventory management to airtime vending.

The product will provide transaction details via SMS, email and paper print with a long-lasting rechargeable battery requiring fewer recharges.

FCMB executive director of service management and technology Nath Ude said: "The FCMB PayPad is truly a payment device that will revolutionise how secured payment processing is done in fixed locations and on-the-go.

"It is one of the innovative products from FCMB designed to enhance customer experience across all touch points and help merchants to grow their businesses in a sustainable manner." ■

UK

Shell ties up deal with PayPal to allow mobile payments at petrol pumps in the UK

Oil and gas company Shell has partnered with PayPal to offer a mobile payment solution at fuel pumps in the UK.

The new service will enable customers to pay for their fuel using the Shell Motorist App or the PayPal App on their mobile phones at most of Shell's 1,000 service stations.

The service will require customers to select the pump they are using on the app, which is then authenticated by the app allowing the consumers to fill up and go.

The solution will be available on Android and iOS app stores towards the end of 2015.

Shell UK retail marketing manager Michael Hominick said: "We've listened to our customers and know they will benefit from this innovation.

"They will now have the flexibility and convenience of paying without having to leave their car.

"Those who want to go in-store and pay or purchase other items will still be able to, with the benefit of reduced queues." ■



VISA

Visa deploys security technology for online and mobile payments

Visa has deployed a new security technology, called the Visa Token Service (VTS), to prevent exposure of consumer account information in online and mobile payments.

VTS will replace sensitive payment account information found on plastic cards, such as the 16-digit account number, expiration date and security code, with a unique series of numbers that will authorise payment without exposing actual account details.

VTS, which was launched last September, enables payments on select Apple devices using Visa accounts through Apple Pay, and will expand into more payment environ-

ments, helping merchants, financial institutions and mobile device manufacturers across Asia-Pacific, Latin America and the US this year.

Visa CEO Charlie Scharf said: "Removing card account numbers from the processing and storage of payments represents one of the most innovative and promising technologies we've seen in decades.

"This, combined with chip card technology, advances in account holder authentication through analytics and biometrics, and more sophisticated risk monitoring, will allow Visa account holders to enjoy new, secure payment experiences." ■

COLUMBIA

Transport partnership

Recaudo Bogotá, Bancolombia and MasterCard have formed a partnership for the inclusion of electronic payments to Bogotá's Integrated Public Transit System (SITP) with Bancolombia issuing Maestro debit cards with transit functionality.

The integration will allow passengers to use their debit cards to pay for fares on SITP's blue buses and TransMilenio Phase III articulated buses.

Bancolombia's debit card will leverage chip and contactless technology powered by the support of MasterCard, with two applications contained within the same chip: one for payments at merchants and banking transactions, and Tullave travel cards for the SITP payment.

Bancolombia payments vice-president Liliana Vásquez said: "In addition to incorporating the functionalities of the transit and financial systems, this card offers our customers the ability to access payment without replenishing.

"Thus, you will be able to enter the transit system without the need to replenish the card at points of sale, since your fares will be deducted from your savings account in a process after use.

"The purpose is to strengthen plastic, making it a more complete customer tool, reducing queues and offering payment solutions at any commercial establishment authorised by MasterCard." ■

PRODUCT LAUNCH

Wirecard to launch wearable payments developer kit

German financial services and technology company Wirecard is planning to launch a software development kit for wearable payment solutions by the end of February.

The solution will be based on host card emulation technology and will allow contactless payment using one-off tokens.

Wirecard Developer Portal will provide access to a range of application programming interfaces, tools and simulators, easing the integration of payment functions

into various applications and devices ranging from wristbands and smartwatches to clothes.

Wirecard CEO Markus Braun said: "Wirecard's wearable payments developer kit enables the global developer community to easily integrate our payment module into all types of wearable devices.

"Such hardware-independent usage has only been made possible through HCE software technology." ■

INDIA

MasterCard opens technology centre in Pune and reveals plans to launch MasterPass in India

MasterCard has expanded its technology operations in India with the opening of a technology centre in Pune and has revealed its plans to launch its digital payments platform, MasterPass, in the country.

The facility in Pune, together with its already functional Vadodara unit, will be the company's largest tech hub outside the US and will take the total headcount of its technology operations to 1,500 by

the end of the year.

The tech teams in India will develop solutions to enhance online transactions and the

payments value chain and will deploy innovations around mobile and contactless payments services.



The introduction of MasterPass will allow Indian consumers to complete online transactions via mobile device without the need to source card details and shipping information for each purchase.

MasterCard operations and technology president Rob Reeg said: "The tech hub gives MasterCard the opportunity to bring in talented technologists and a wealth of creative new ideas that will help shape the future of payments." ■

Companies innovate at Billingsgate

Finovate Europe, London's largest annual fintech event, displayed the best and boldest examples of disruptive technology in the financial sector, from cloud technology to cryptocurrencies. **Anna Milne** and **Patrick Brusnahan** report from the event and look closer at some of the stars of the two-day conference

Over 1,250 people flocked to the Finovate event, held at the world-famous Old Billingsgate Market, in the City of London on 11-12 February, to witness 72 demos with each company given only seven minutes to present their product. This resulted in firms getting straight to the point in their presentations, while trying to stand out among the myriad selection of disruptive technologies on show. If anything, the event was an apt metaphor for how quick technology moves in the modern age. Here is a selection of the some of the more noticeable products and services on display:

Trunomi launches KYC app for banks to put customers in control of personal data

It is, says Stuart Lacey, CEO and founder of Bermuda-headquartered start-up Trunomi, an industry first – the only mobile app that empowers financial institutions' customers to control their personal identification data.

For the first time, financial institutions can integrate their existing KYC and Personally Identifiable Information (PII) data-reliant processes into an easy-to-use mobile app. Customers using the TruMobile app can manage, provide and update identification documents in real-time directly from their mobile device. The solution will also help financial institutions to meet the demands of incoming EU data protection regulation.

Amid a series of strong sound bites, Lacey said: "Trunomi can help financial institutions to on-board customers up to five times faster at less than 20% of the cost of today's manual process.

"A huge convergence is on the horizon. Regulatory change, political will, customer choice, data security risks and technological development will push financial institutions to adopt an 'informed consent' approach to privacy and PII data usage.

"European financial institutions in partic-

ular face unprecedented challenges to comply with regulations and satisfy consumer scrutiny around data privacy. Our solution will alleviate the burden of KYC and customer on-boarding and turn a compliance nightmare into a relationship building opportunity for financial institutions and their customers."

Just prior to presenting at Finovate, Trunomi was named as one of the FinTech50 2015 — described by organisers as "the 50 game-changers transforming the future of finance". Trunomi raised an angel round of financing in 2014 of \$2m from an investor group including a private equity fund, and audit, tax and advisory services firm KPMG Bermuda, as well as other investors. This first round of investing was oversubscribed within 13 days.

Temenos Connect Mobile Banking

Temenos Connect Mobile Banking combines native and web technologies in a

■ FINOVATE EUROPE 2015

Presenters

Advice Games	Encap Security	Meniga	SOFORT
Aire	eRipple	Mistral Mobile	Strands
Akamai	eToro	Misys	StreetShares
AlphaPoint	EVRY	Mobino	Taulia
Avoka	Financial Media Solutions (FMS)	MoneyHub	Telenor banka powered by Asseco SEE
Backbase	Fiserv	mydesq	Temenos
Bendigo and Adelaide Bank	Five Degrees	nextmarkets	TiViTz
Bitbond	FOBISS	NICE Systems	Topicus.Finance
BizEquity	Idmission	Nostrum Group	TradeRiver Finance
C24	Intelligent Environments	Novabase	Transfer To
Cash Payment Solutions	investUP	onlinepay.com	Trunomi
CashSentinel	InvoiceSharing	PhotoPay	VATBox
CoinJar	iSignthis	Pirean	Vipera
CPB SOFTWARE	Ixaris Systems	Quantitative Credit Research	Wipro
CREALOGIX	Jumio	Quisk	WS Integration
Delta Bank	KPAX	Revolut	Xignite
Dynamics	LifePay	Sedicii	Xsolla
ebankIT	mBank & I3d	Smart e-money	Yoyo

Source: Finovate Europe 2015

hybrid technology solution, enabling a mobile app to tailor fit the device it is on, due to a native skin which recognises the device and adapts accordingly. Temenos says it's the first mobile banking solution to be underpinned by a user experience platform that drives multi-device banking solutions.

"This mobile banking app showcases the benefits of SmartHybrid developed apps. SmartHybrid is a technology solution that develops mobile applications that look, feel and behave like native apps and is the only mobile application development technology currently available that optimises the performance of hybrid mobile applications," Temenos stated in its presentation.

A widget is downloaded from Temenos's Marketplace App Store, to add additional functionality to the Mobile Banking App, which will then become available to users of the app, across multiple device platforms (iOS, Windows, Android) without users having to re-download or update the app on their device.

Sadly, the internet failed Temenos throughout its demo, but it must be said its delegates handled this hiccup like seasoned professionals, and generated enough interest to attract a queue of interested parties at their stand for a personal demo afterwards. Speaking with Dharmesh Mistry, Temenos's product director, prior to demo day, was interesting.

Effusive and genuinely enthusiastic about this product with the kind of spark you'd expect from a start-up, he's rightly proud of this development. "It will save hours of time and millions of pounds for those who invest," Mistry says. "It can take up to three weeks just to change a typo on an app, but due to the minimising of extra coding with this product, this time-frame can be reduced to two-to-three days."

What sets this apart?

- An intelligent cache mechanism in browser-based apps as opposed to native apps.
- A skin, which recognises the device on which it is downloaded so that it behaves like a native app. Being, as they say, the first banking provider to embed UXP into the edge platform in 2012, the developed software now means the elimination of weeks' worth of coding to modify the apps per device. In this day and age, there are too many devices on the market to accommodate that kind of workload. This applies to branch screens also, as branches become more open plan and staff more mobile.



Akamai's Client Reputation

Cloud service provider Akamai demonstrated a system that helps to forecast malicious intent, not only based on what the malevolent are currently doing to your website, but also based on their past affinities and malicious dealings elsewhere. The product is called Client Reputation and it protects applications against distributed denial of service (often hailed as the most vicious of online attacks) and application layer attacks. It does this by identifying and sharing with customers the likelihood that IP addresses fall into one of four so-called malicious categories:

- Web attackers,
- Denial of service,
- Web scrapers,
- Scanning tools.

Akamai delivers 15-30% of all web traffic globally – two trillion web hits a day. Akamai stated in its presentation: "We generate about 270 terabytes of compressed data logs. A couple of years ago we built a system which stores and analyses 4 TB of security data going round the internet from all customers and tries to figure out who's doing really bad on the internet. In order to find and flag up these people we allocate a score between one and ten and the score's based on the distribution of the attacks, how many outgoing customers are attacked, the magnitude of the attack, how many hackers are actually trying to perform and the persistence of the attacker.

"Using this data our customers can build security and education policies which allows them to receive alerts, or even block these malicious users before they attack their sites."

Avoka launches its Three-Minute Loan

One of the winners of 'Best in Show' at Finovate, Avoka, the digital transaction enablement company, made a presentation about its Three-Minute Loan.

Utilising a mobile device to verify identities, check credit ratings and implement anti-money laundering processes, Avoka demonstrated how it could reduce friction in financial services. One of its clients saw its personal loan application rates rise from 36% to 51% in just four weeks.

The process combined social and cloud services to streamline account opening and credit origination, resulting in minimal customer effort and maximum customer acquisition.

When speaking to *EPI*, chief marketing officer Reid Hislop said: "The key is around usability. It really helps people understand where you find value and that's what we focused on. We are omnichannel and multichannel. You can start the application on your smartphone and you might finish it at night on a tablet. Speed is important for us in terms of the customer experience and making it as frictionless as possible."

Avoka found the event good practice in increasing its brand awareness – a



struggle it is still coping with. Hislop posed the question: “What would you search for on Google and come up with Avoka? It’s a problem for us.”

He continued: “We spend a fair bit of time with the analyst community – letting them know what we do. The media is important for us; just having them understand what we do and getting them to write about us. Outside that, social media is helpful, but again, we’re still dealing with that problem.”

The media is a particular issue and companies providing loans of all kinds receive particularly negative attention. Hislop recognises this and said: “We’re trying to make it as much of a reality as we can. We’re trying to focus in on that; it’s not so much about the loan experience, but what that loan enables you to do. We think consumers looking at this environment is looking more to enhance their lives, rather than sourcing an excessive or irresponsible amount of money.”

What is Avoka planning next? The company is developing a ‘customer effort score’, a benchmarking platform to decipher how much work a customer needs to put in to use certain services. This, in turn, helps financial institutions to locate friction in their processes and remove it.

Telenor banka, the first fully mobile bank in Serbia

Telenor banka, the first direct bank in Serbia and the South-East Europe region, which has banking that is fully mobile, demonstrated a fully automated and personalised online offer of purchase loans for

smartphones. The service is also customised to the customers’ needs in real-time.

This IT solution was a follow-up to Telenor banka’s existing offer of interest-free loans for purchasing devices, which the bank introduced in December.

Despite having launched only five months ago, the bank has enjoyed a large amount of support, both at the conference and on its own home turf. Martin Navratil, chairman of the executive board at Telenor banka, said to *EPI*: “We’ve already seen good customer feedback. We’ve seen a move towards mobile banking services in Serbia. Between launch and now, the usage of mobile banking services has more than doubled. It’s a

pretty significant achievement. Other players are joining us. We are happy as we are seeing customers get a better service.

“In terms of ratings, on the Google and Apple app stores, our reputation is the highest rated in the region. For example, we are rated 4.54 out of 5 on Google and above 4 on Apple.”

A completely mobile alternative seems to be a terrific idea. However, looking at its penetration rate, the outlook doesn’t seem bright. Eighty per cent of all transactions in Serbia are in cash.

Navratil said: “You’re seeing exactly what we saw. The majority of transactions were in cash and Facebook penetration was only 50%. However, the growth rate of online shopping tripled in the last three years. People are more or less ready, but banks are still an offline set-up and they did not make the move forward. We simply filled this gap. The differentiator for us was that we started from scratch to be suitable for those channels. Other banks have legacy systems and cannot release these systems as quickly as us.

“The overall change won’t be tomorrow, but it’s coming pretty fast. People are becoming happy with using their mobile phone for banking. People like it.”

In terms of its future plans, Telenor banka want to ‘dominate’ the mobile market. Navratil concluded: “We’ve been in the market for five months. We are already dominating and we want to make that gap bigger. We’re not stopping and we are constantly in development. We have made an unofficial promise to our customers that we will always be the first ones to launch innovation.” ■



Finovate: Best in Show 2015 Winners



Avoka – ‘Avoka Transact for Financial Services’

“The Three-Minute Loan application: fastest on-boarding experience in the world.” Customer service-centred Avoka helped a client go from 36% conversion rate for personal loan applications to 51% in four weeks with its focus on a frictionless customer experience in the application process.

“We are demonstrating how combining social, cloud services, and crowdsourcing to streamline account opening and credit origination minimises customer effort and takes the friction out of customer acquisition.”

- Privately held company with 80+ employees globally

CoinJar – ‘CoinJar Platform’

Listed by StartupSmart as one of the top five Australian start-ups to watch in 2014, CoinJar has recently decided to relocate its headquarters to London.

“We develop simple and useful products that allow customers to buy, sell and use digital and traditional forms of currency, from bitcoins to Australian dollars, in any way they want. CoinJar was the first in the market to launch a bitcoin debit card that allows users to spend digital currency to purchase anything.”

CoinJar says its platform, launched in December, opens the potential for bitcoin to become the future of global remittance payments, automated escrow, smart contracts, digitised asset ledgers, and secured and signed user cryptography. CoinJar’s platform also has an open API, which enables developers to innovate the blockchain technology for purposes other than currency.

- Aus\$450,000 (\$355,100) raised in venture capital and angel investment; more than 40,000 users; more than Aus\$50m in exchange transactions in Australia, 285,000 BTC sent between CoinJars worth Aus\$150m; 13 employees

eBank IT – ‘Omnichannel and Social Banking’

Omnichannel banking comes to fruition with this solution that lets consumers flick between their various online devices. For example, they can begin an interaction on their mobile and end it on their smart TV or laptop. The industry just got “one step closer to the promise of true contextual banking”.

“We create products focused on delivering your core banking to customers in a way they will enjoy and engage with, such as mobile banking apps, contact centre solutions, banking kiosks, Facebook banking, commercial GPS, banking solutions for wearable technology, and ultimately, solutions for augmented reality.”

- Revenues around €2m (\$2.28); 50 employees

eToro – ‘The new eToro’

A direct-to-consumer product, ‘The New eToro’ is an extension of its original social trading concept “like you’ve never seen before”.

It allows members of the community to tap into others’ tip-offs and advice on trades.

“The company that started out as a gamifier of trades is introducing a whole new way to trade for the Generation Y population – social trading like you’ve never seen before.”

- It has raised £48m (\$74m) to date from venture capital and private investors, has four million users worldwide and has facilitated 130 million trades on the platform since inception

Jumio – ‘Netverify’

“Jumio’s products are designed to enable quicker and more intuitive mobile experiences and help financial services firms reduce abandonment during digital account opening.”

Netverify is an ID scanning tool whereby the user can instantly upload a selfie to identify them during account opening. A scan of an ID document is simultaneously uploaded in photograph form and the data is sorted into the requisite fields so that ID verification does not interrupt the opening process and, hence, does not deter the customer.

- 300+ employees; \$60m raised; Jumio’s clients include half of the top ten consumer internet companies as well as FIs, retailers, marketplaces and gaming companies

mBank & i3D – ‘New Interactive Retail Branch Concept’

A digital branch with an interactive, “art exhibition” experience featuring multi-touch “gigantic” screen, motion sensing and facial recognition. mBank was founded in 2000 as a “pure-play internet bank” and has become one of the most popular retail banks in Poland. i3D provides solutions for reproduction of real-world in virtual reality, including content development, VR software, equipment and 3D image projection systems.

- mBank is the fourth-largest Polish banking group with over 4.6 million customers in Poland, the Czech Republic and Slovakia; approximately \$400m net income in 2013 and 6,000 FTE

Meniga – ‘Meniga Market Watch’

The company describes its three key elements as:

- Context – the right offer at the right time,
- Advanced segmentation – highly personalised user experience,
- High-quality offers.

“Meniga Market Watch is a transaction data analytics and enrichment engine which can deliver targeted and relevant offers to consumers on its platform. A fun, engaging Facebook-like feed that transforms how people interact with their finances and how banks interact with their customers.”

- \$8.5m raised; 100-plus employees; 20 million-plus online banking users

Will consumers like it or poke it away?

The payments industry is seeing an influx of institutions trying to secure their own share of the sector. One of the most interesting trends is the emergence of social media providing a payment option, but everybody is wondering: Will it actually be successful? **Patrick Brusnahan** investigates

With the growth of brand identity within the social media industry, the sector has turned its head towards payments. While banks are constantly trying to regain trust after the global financial crisis, the social media brands already have trust in spades. For example, according to Interbrand, Facebook's brand value was worth \$14.3bn last year, an 86% rise in comparison to 2013. In comparison, the biggest bank brand HSBC is only valued at \$13bn.

The potential for companies such as Facebook and Twitter seems enormous. However, Philipp Nieland, co-founder and CEO of the PPRO Group, doesn't see that to be the case. He says: "Facebook and Twitter, in the long term, will not be successful in the payments area."

Nieland believes Facebook sees payments not as a separate entity, but just another way to gain data about the consumer. He says: "Facebook sees all these companies and all these users with a presence on the site. Companies have Facebook pages, they have followers, and they have potential customers. Now, all of these companies inside the world of Facebook should be able to sell their products in that environment."

"The idea behind that is for Facebook to collect more data about their users. If you know what they buy, you know what they think. That's what Facebook wants – to be more target-specific."

Nieland focuses on the data aspect of developments. He says: "You trade your personal information with a website to stay in contact with your friends. Facebook uses this data to place ads and earn money. The more statistics they can gain on the consumer, the better it is for companies that advertise on Facebook, and the more they are willing to pay. If you look at what Facebook has done in the past two months, it can now track users across all of their devices. Collecting their purchase habits is just the next step in getting more insight into the consumer."

While Facebook does have the trust of their users when it comes to information such as likes and location, purchases are a



different task altogether. It has a huge user base, with the majority of users being active, as well as 50% of their hits being on mobile devices. However, getting consumers to trust Facebook as a suitable payment alternative is an entirely different challenge. Nieland agrees, saying that "with money, people are much more sensitive".

He adds: "Personally, I would not purchase anything on Facebook, because I don't want them to know what I do and what I want. I think most users are the same. In their keynote speech regarding this topic, they didn't mention this. I'm not sure if they're not aware or refuse to see it, but the biggest challenge is gaining trust from people so they are willing to buy things in the Facebook environment."

Facebook has a global presence, but to install a payments option worldwide is another obstacle the company would need to overcome, mainly due to regulatory needs. Nieland says: "Facebook rolled out its website across the whole globe in around 18 months. That's pretty simple. You need to localise it and have different languages, but that's pretty simple. To roll out a payments system globally is different. It's difficult because every country has its own regulation. Even Europe, which has, or should have, a unified regulated environment, has different rules for each country."

"The same problem lies in the United States. Fifty states, 50 sets of rules. If you look at South America or Asia, it's even worse because they are not unified regions."

To roll out a payment system across the globe is much more challenging than rolling out a website. It will take it years to get into every corner of the globe. If you look at the world today, it's changing in different regions. There are a lot of sanctions and difficulties in moving funds back and forth and Facebook will have to face all of these challenges in the future."

Another problem lies with other popular brands taking up payments. Apple Pay was launched in 2014, with many more on the way. Services such as Snapchat and Whatsapp, which already have large user bases and easy-to-use systems, are gaining traction in this arena. Snapchat, with 100 million active monthly users, has already launched its payment service, Snapcash, in the US.

Nieland believes these sorts of payments will eventually win the social payments war. He said: "The chat systems like Snapchat or Whatsapp already have consumers. They do not store their customers' data, or at least claim not to, and it's not a worry for the consumer. People will trust them more. Especially when it comes to peer-to-peer payments, or even to merchants, I think these will be the main systems and be successful in the end."

Ease of use

In terms of the ease of use, Nieland believes this is a significant factor. He adds: "I fully see that. Whatsapp and Snapchat are on all mobile phones. You need to have an authentication mechanism, a tool that is always with you, and that is your mobile phone. People are used to utilising Whatsapp and Snapchat a hundred times a day. They know it, they have it on their phone and they don't want to miss it if they change their phone. The first thing they do when getting a new

■ BRAND VALUES 2014		
Brand	Value (\$bn)	Change in brand value year-on year (%)
Facebook	14.3	+86
HSBC	13.1	+8
J.P. Morgan	12.4	+9
Citi	8.7	+10

Source: statista.com

■ ACTIVE WORLDWIDE USERS IN MILLIONS (DECEMBER 2014)	
Facebook	1,350
Whatsapp	600 (August 2014)
Twitter	284
Snapchat	100

Source: statista.com

of contact with the banks and what I can see today is that it's not only Facebook, it's all these fintechs which are making life hard for the banks. They attack the banks' business model in a lot of different areas. If you look at Wonga or Forex, these are all things that take away business from the banks. The banks today have a lot of fear that they are losing on all angles of their business.

"The biggest disadvantage the banks have is regulation. They have a big obligation to fulfil regulatory requirements and all these new things have much less obligations. This is the reason for a lot of this fear. Some are turning around and saying, 'Look, whatever these places are doing, they need some sort of access to the financial system'. This means that they can stay in the loop and keep a lot of business instead of losing it to another bank or a fintech."

Away from engagement, trust from consumers is another issue for banks. After the financial crisis and with banks under more

enough companies out there to provide what the consumer wants. The banks are still under the impression that consumers have to take what they are offering. That's the big difference. Banks are too slow, too big and too regulated to keep pace. They cannot change as much as they'd like to."

Some would argue that the best way for banks to counteract this threat is not to fight it, but to adapt and follow their competitors' path. In other words, if you can't beat them, join them. Nieland agrees: "If you look at other industries, like the music business, they tried to fight piracy for years and lost. They are now successful again because they have a business model which fits the needs of the consumer.

"Fighting a change in the market is not the best way to proceed. The banks need to adapt and decide the value they can bring to the table.

"The value, I believe, is the banks' access to the financial system. Everybody needs access to the old financial system, apart from the bitcoin market, but that's a completely different area. If the banks see that, and some are looking into it, they would need to understand that they need to provide services to the fintechs and give them access to the financial systems. We need to produce products around that and make money through that instead of trying to compete with our old business model which we've used for the past 20 to 25 years. It's changing now and they can't stop it. The consumer wants it to be very easy and straightforward and this is something that the banks cannot currently provide."

Nieland concludes: "More and more consumers will leave banks and begin using more and more fintechs for their specific needs. In 10 years, you will not be a customer of a bank anymore. I'm pretty sure of that." ■

"The biggest disadvantage the banks have is regulation. They have a big obligation to fulfil regulatory requirements and all these new things have much less obligations."

Philipp Nieland, PPRO Group

phone is install Whatsapp or Snapchat and I think that's the key; keeping your consumers on your system. For them, it will be pretty easy to convert it into a payment system."

Banks are responding to this new integration in the financial sector. As more and more engagement is taken away from financial institutions, the market is looking for ways to fight back before they are made redundant. Nieland says: "I have a lot

scrutiny than ever, consumers are looking for alternative measures. Nieland states: "The trust in banks is not there anymore. The advantage they had for years, or even centuries, is not there anymore. In the last few years, they lost all of it.

"The big fear is that the whole market is changing and they cannot stop it because the consumer now has control. Consumer tell the market what they want. There are

Faster broadband and mobile growth provide platform for e-commerce

Improved card technology, rising consumer awareness for electronic payments, adoption of advanced technologies such as PayWave and PayPass feature, EMV technology and contactless cards will all play their part in helping to boost cash displacement

Lebanese payments 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 cards in circulation in 2009 to 1.8 million by the end of 2013.

In terms of transaction value, payment cards valued LBP15.5trn (\$10.3bn) in 2013, after registering a 2009–2013 CAGR of 12.07%. The introduction of improved cards, rising consumer awareness for electronic payments, 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 – 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 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).

Improving infrastructure

In 2013, the Ministry of Telecommunication 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 telecommunication infrastructure is expected to reduce broadband costs and increase the volume of online transactions, thus facilitating card payments.

68.5% of the Lebanese population is working class, who, as a group are more active on the internet. As the internet and mobile penetration rates 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 2014, and the bank also issues cards with PayPass contactless features in association with MasterCard.

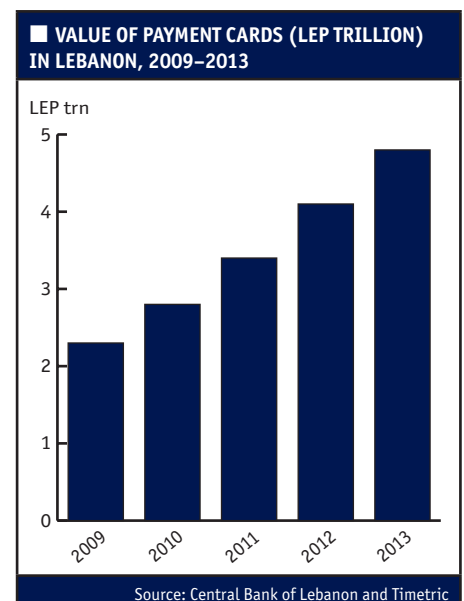
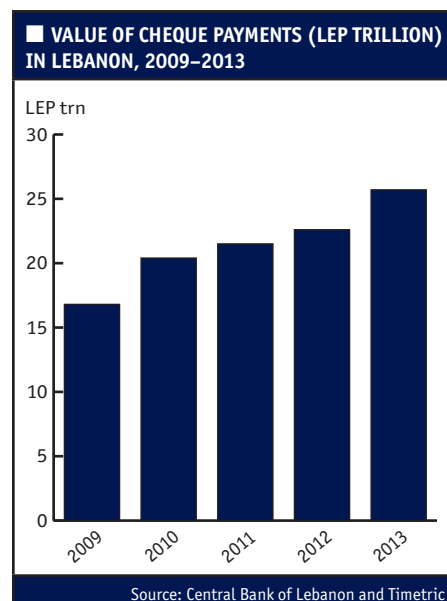
Similarly, contactless technology is being used for mobile payments. On 15 April last year, Bank Audi launched the Tap2pay NFC Mobile Payment service, which allows mobile phone users to use their mobile phone as a credit card. This was launched

in partnership with MasterCard and the mobile operators Alfa and Touch.

Growth in e-payments

E-commerce recorded significant growth during the 2009-2013 period due to rising online and mobile penetration, increasing consumer confidence for 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 the future. Bank Audi and Credit Libanais are the two banks in Lebanon which 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. ■



Cash still king in Colombia but e-payments growth is on the increase

The Colombian market offers huge scope for e-payments 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 47.2m, however, the unbanked accounted for nearly 35% of the adult population in 2013, according to the Colombian Banking Association. And the low banking penetration levels present banks and card issuers with growth potential.

Tapping the market

Banks have stepped in to take advantage of this large untapped market, having introduced a number of cards targeting the unbanked population. 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 forecast period 2014 to 2018.

In terms of the number of cards in circulation, Colombian payment cards (including debit and credit cards) registered a positive growth during the 2009-2013, recording a compound annual growth rate (CAGR) of 8.05% and increasing from 22.6m in 2009 to 30.8m in 2013.

Retail sector growth

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 the Latin-American region. Peru recorded the highest ATV with \$144.3. The top two were followed by Chile (\$82.4), 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.

Cards gaining ground

Although cash is the most popular payment instrument, use of payment cards is gradually increasing

Cash remained the most popular payment instrument for the majority of Colombians during 2009-2013. 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

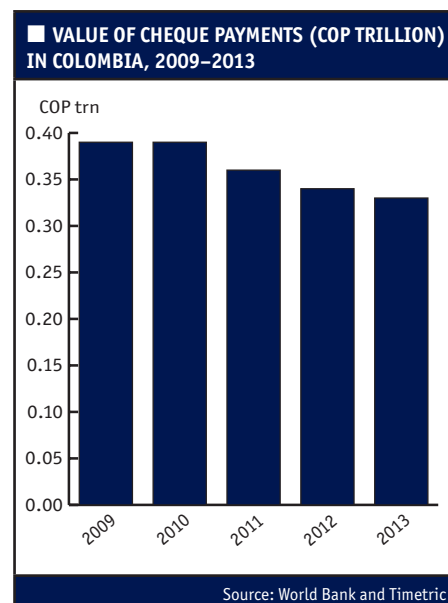
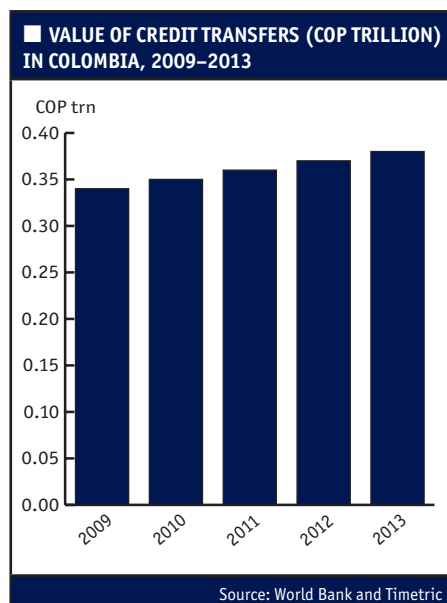
banking infrastructure. As the government and banks began the process of providing basic financial access to this unbanked population, by expanding banking infrastructure such as ATMs, the appointment of correspondent agents, launching new branches and making concentrated efforts to change payment habits of Colombian consumers, payment cards saw gradual acceptance, with their use consequently growing during 2009-2013.

Payment cards growth

Colombian payment cards grew both in terms of transaction value and volume during 2009-2013. 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 forecast period 2014-2018, to reach COP246.3trn in 2018.

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



Weakened economic climate dampens e-payments growth in Croatia

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

Croatia became the 28th member of the European Union on 1 July 2013, and since then has been trying to raise its competitiveness and it is to benefit from EU funding to aid the country's 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 over the period 2014 to 2018. However, growth prospects for the cards and payments industry are anticipated to remain weak, until the economy re-enters a state of growth.

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 during the period 2009-2013, 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 were valued at HRK116.1bn (\$20.3bn) in 2013, after registering CAGR of 1.07% in the period 2009-2013.

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, the Croatia's average transaction value (ATV) was \$64.8, equivalent to a ranking of 24th in the European region.

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 (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 recorded 172.8 transactions per card and had the highest frequency of use, followed by Denmark (159.2), Estonia (149.4) and France (127.8).

Debit cards continue to dominate the payment cards

In terms of transaction value, debit cards remained a popular payment card during the review period 2009-2013, 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%. Due to the European debt crisis and

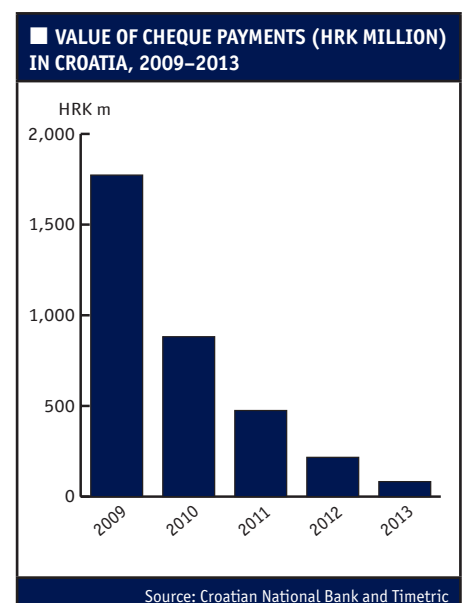
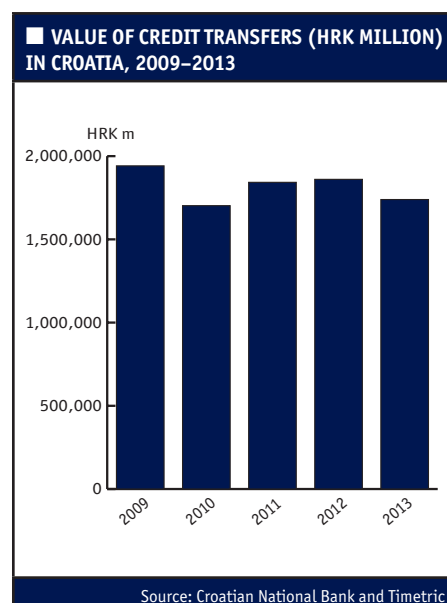
uncertain economic conditions, the majority of Croatian consumers became debt-cautious and preferred to use debit cards to make payments to track their expenses. Consequently, the debit cards market registered growth in terms of the number of cards in circulation, transaction value and volume during the period 2009-2013. Transaction values at POS terminals gradually increased during the 2009-2013 period – a trend which is anticipated to continue over the forecast period.

EMV-compliant cards

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, at a CAGR of 7.01%.

As contactless technology became more secure, debit card holders 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 small and medium-sized enterprises. ■



Modest cards growth ahead in Pakistan but cash still most popular payment type

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

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

Pakistani payment cards (including debit and credit cards) registered growth during 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 valued PKR1.9trn (\$18.8bn) in 2013, after registering CAGR of 24.37%.

With the development of alternative delivery channels, the launch of biometric ATMs and the availability of fund transfer facilities online and at ATMs, banks are able to reach much of the population. Furthermore, the improvement in banking infrastructure, the development of the new products, government initiatives and stable economic conditions all led to the growth of payment cards.

The average transaction value (ATV) in Pakistan was \$93, which is the ninth-largest among the other 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 the card penetration rate compared to the other Asia-Pacific countries, with 0.12 cards per inhabitant.

Pakistan ranked sixteenth among the other 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 payment format among Pakistani consumers, they are gradually making use of payment cards for payments 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 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 POS terminals and online payment gateways, also aided the growth. Banks are also introducing branchless banking concepts so that customers can carry out their banking transactions via a mobile phone.

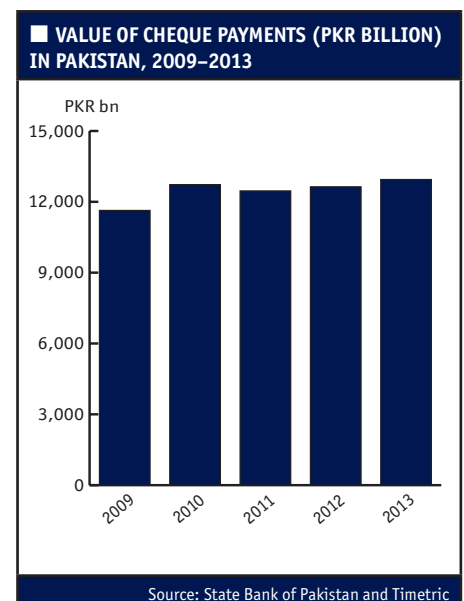
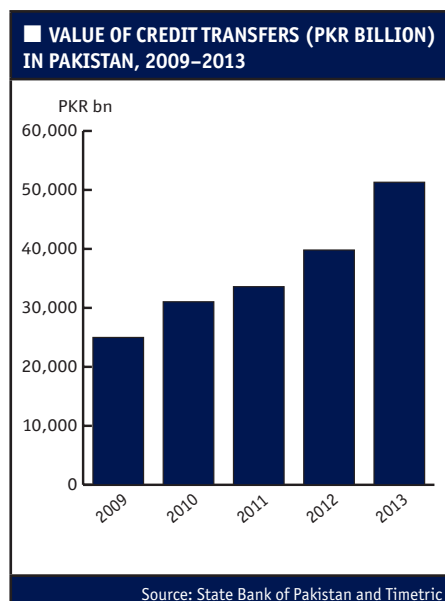
Debit cards are considered to be the most favourable mode of payment card in Pakistan. They were very strong in 2013, accounting for 94.4% of the entire cards and payment market, followed by credit cards, with a 5.6% share in terms of transaction

value. This trend is anticipated to continue.

Debit cards are generally used to pay utility bills, transfer funds online, make payments at retailers and to withdraw cash. 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 is offering a visa debit card to children of a minimum age of 12 years who have a Kids Club account with the bank.

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 POS terminals. This can be validated from the fact that the transactions at ATMs account for 98.9% of debit card use, compared to POS (1.1%).

Banks are also taking initiatives towards the development of credit cards, such as issuing cards in association with retailers to offer discount benefits to cardholders. Furthermore, Habib Bank is issuing credit cards in association with Liberty Magazines, where cardholders are given magazines by redeeming their card points. Other benefits are also offered to credit card holders. ■



Writing on the wall for the great untapped potential of China

Tobias Schreyer, co-founder and CCO of The PPRO Group examines the vast opportunities and some tricky difficulties when transacting business with consumers in the world's biggest economy

There has been a lot of discussion about the untapped potential of China as a retail environment. Just last month, according to the International Monetary Fund, the vast country overtook the US as the world's largest economy, with a population now four times bigger (1.357 billion versus 316 million) than its Western rival. While the country's love affair with big luxury goods – thanks to the rising number of high net worth individuals – is well documented, the growing middle-classes also have strong spending power.

The Economist Intelligence Unit expects China's retail market to grow to \$8trn by 2022, double what the US market is forecasted to reach over the same period. With this writing on the wall, the West's largest retailers have been testing China's retail waters. However, many have tried and failed to leverage Chinese consumers' disposable income, either because of a lack of understanding of the cultural differences or difficulties with the preferred transaction process. Here we look at some of the largest barriers to entry, but also outline the huge potential rewards to international retailers.

Three key barriers to entry to be mindful of:

- **Cultural issues and the need to switch to Baidu**

Companies such as Home Depot and Best Buy have famously tried and failed to undertake an on-the-ground strategy to exploit the lucrative Chinese market, despite presumably armies of consultants and MBAs guiding their footsteps into China. This has led to international retailers now preferring to test the waters by making their first step a virtual one.

However, one of the barriers to entry for retailers wanting to enter the Chinese market has been the difficulty of interacting with the country's largest search engine, Baidu.com which has an 83% share of China's search market. This is mainly caused by the company's reluctance to have an international sales team retailers can get in contact with.

- **Having the ability to facilitate orders**

While China's sprawling metropolitan hubs have increasingly good delivery infrastructure, the country's full e-commerce potential is currently held back by the unpredictable nature of the delivery infrastructure outside the main metropolitan hubs, inhibiting the efficiency and effectiveness of the last stages of online retail product delivery.

However, it's just a matter of time before these issues will be overcome. E-commerce has the ability to leapfrog traditional bricks and mortar retailing in the country in the next few years, with the expansion of national chains of physical retail stores being outstripped by the growth of the digital economy.

- **The incompatibilities of payment systems**

One of the chief causes for shopping cart abandonment is the lack of payment options. Our own recent research showed 92% of consumers dropped off at the payment page when a preferred payment

mechanism wasn't provided. By facilitating and accepting international payments via multiple methods, online retailers can open the door to more international business.

It's imperative to provide the payment options that are common in China, so customers feel comfortable completing the purchase. While there are currently 200 million credit cards and two billion debit cards, alternative payment mechanisms – Alipay being the largest – make up almost half of all transactions completed online.

Three of the biggest opportunities for UK retailers:

- **The opportunity goes both ways**

A recent survey conducted by consumer delivery company, myHermes, revealed that shoppers continue to expand their horizons with 84% of Britons having ordered from a foreign retailer's website. The results also showed that well over a third of German and French shoppers have bought from the UK, with numbers from China steadily growing.

This trend can't be underestimated. China's online population of 650 million, including 300 million shoppers, means the scale of its market is huge, especially when you consider that not even half of the population is connected yet.

With a sharp increase in demand for established Western brands, there's now a considerable opportunity for retailers to reach this market. Online shopping growth is fast, having increased by a remarkable 60 million customers since last year.

- **China will be worth almost £1bn by the end of the decade**

Chinese consumers are expected to spend £177bn online this year, surpassing all other countries. But their shopping is not restricted to domestic suppliers. Purchasing habit data shows the percentage of people choosing to buy direct from foreign merchants (rather than marketplaces such as eBay) has increased exponentially over the past few years. By 2020, the Chinese market is forecasted to be worth £0.9bn for UK online retailers, with Hong Kong predicted to be worth a further £0.4bn.

- **Learn to love China Singles Day**

Much of the talk in the UK is about the emergence of Black Friday and Cyber Monday themed sales hitting our shores. Yet, neither come close to China Singles Day which is now the largest online shopping day in the world, with sales in Alibaba's sites Tmall and Taobao increasing from \$5.8bn in 2013 to \$9.3bn in 2014. Last year, Worldpay saw a whopping 455% increase in spending on the day itself with 2,123 transactions a minute, spending £95 per person.

The numbers are already staggering. Almost 1.4 billion population. Almost \$10bn spent online in just one day last year. Yet, with internet penetration in China being a mere 45% of the population, the online shopping demographic representing less than a quarter of the total population, and smartphone penetration increasing exponentially, the numbers will only grow. ■

CARDS

INTERNATIONAL

VISA

Prepaid Summit: Middle East – Conference & Awards

18 March • Westin Mina Seyahi Hotel • Dubai



Prepaid: Middle East 2015 brings together prepaid professionals and industry disruptors in an active discussion of the key issues facing the industry:

- The Prepaid Landscape In The Middle East
- Capitalising On Fast Growing Market Segments
- Distribution Models, A Cashless Society & Loyalty Cards
- Future Growth – What is Next for Prepaid?

The informative keynote sessions and inspiring case studies provide you with first hand exclusive insights.

Key industry thinkers and doers will meet to debate the importance of new strategies, business practices and partnerships in the industry. Don't miss your chance to participate and address the most pressing industry questions.

For more details please contact Vicki Greenwood on vicki.greenwood@timetric.com or call +44 (0) 20 3096 2580.

Why Attend?

- **Hear** from senior industry figures on current challenges and benchmark your success
- **Network** and share best practise with your peers in the prepaid community
- **Discover** high level content and case studies delivered over four comprehensive sessions
- **Celebrate** at our black tie awards dinner recognising those at the top of their game

Event supported by

Silver Sponsors



Brand Sponsors



Exhibitor



Table Host:





The Digital Banking Club

Join thousands of financial services professionals who have joined **The Digital Banking Club** to understand and discuss the future of mobile and online financial services

Intelligent Environments, the international provider of digital solutions in association with Retail Banker International, Cards International, Electronic Payments International, Private Banker International and Motor Finance

Membership benefits

10% discount on

Delegate passes for Motor Finance and Private Banking UK conferences

Annual Subscription to Retail Banker International, Cards International, Electronic Payments International, Motor Finance and Private Banker International publications (new subscribers only)

World Market Intelligence Ltd's archive of over 250 Retail Banking, Private Banking and Cards and Payments research reports (for new report purchasers only)

Annual subscription to Retail Banking Intelligence Centre and Wealth Insight Intelligence database (new subscribers only)

World Market Intelligence Ltd's bespoke research and consultancy services

For further information please email: tdbc@intelligentenvironments.com

Join The Club!

www.thedigitalbankingclub.com

Or

For further information please email:
tdbc@intelligentenvironments.com