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ELECTRONIC PAYMENTS INTERNATIONAL

DIGITAL RING OF STEEL

ARE FINANCIAL INSTITUTIONS READY FOR THE GDPR WAKE-UP CALL?

COUNTRY SURVEYS

Key data on the payment scenes in Denmark, Poland and the Netherlands

INSIGHT

Being tech-savvy and being cyber-savvy are not necessarily the same

FEATURE

Payments Canada's modernisation programme moves to implementation

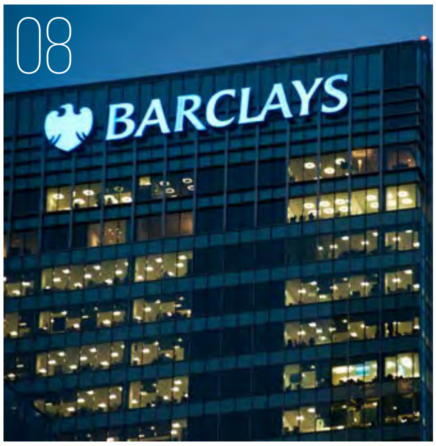
THIS MONTH

NEWS

05 / EDITOR'S LETTER

06 / DIGEST

- Barclays, PayPal team up for digital payments
- TransferWise launches multi-country borderless account
- HSBC goes live with SWIFT gpi
- Bacs celebrates 50th birthday
- Glint partners with HooYu to streamline onboarding process
- FNB unveils eWallet eXtra mobile account for unbanked South Africans
- Ecology Building Society agrees ClearBank partnershiP
- RBC teams up with Samsung Canada to offer Samsung Pay
- Revolut releases spare change-saving feature
- Wirecard mobile solution accessible on Fitbit Pay
- iProov awarded Homeland Security contract



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ELECTRONIC PAYMENTS INTERNATIONAL

VERDICT

MAY 2018

FEATURES

10 / BARCLAYCARD
In a world of digital convenience, payments are now involved in every aspect of our lives. Nick Kerigan, MD of future payments at Barclaycard, speaks to ***Briony Richter*** about what drives payment innovation

11 / TINK
Scandinavia is often cited as a hub of innovation, and Tink is no exception. ***Patrick Brusnahan*** speaks to co-founder and CEO Daniel Kjellen about the various changes the business is currently facing up to

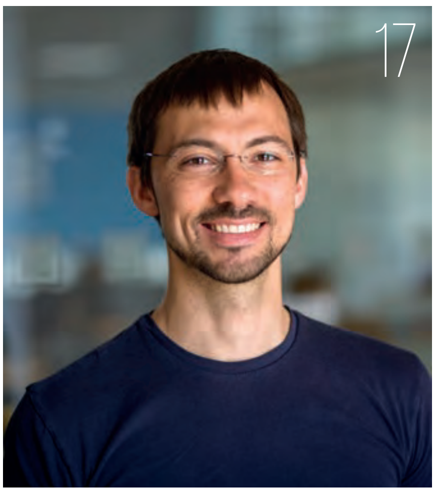
12 / YOYO
Enabling a buyer to make a payment is no big deal; the trick is to make the experience worthwhile, and that is where Yoyo Wallet comes in. ***Patrick Brusnahan*** speaks to CEO Michael Rolph to find out more

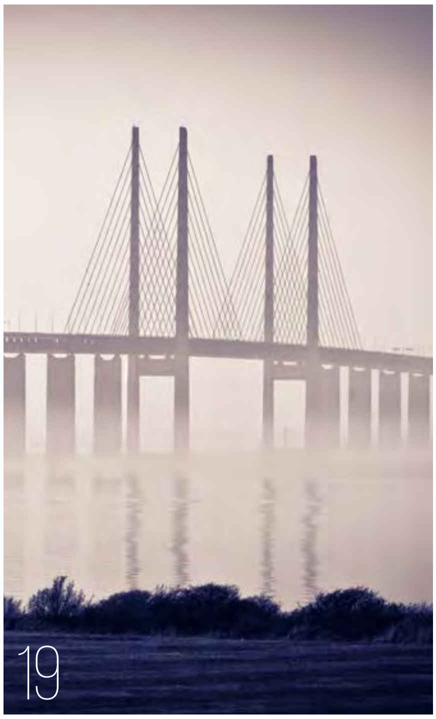
13 / PAYMENTS CANADA
Payments Canada's national payments infrastructure modernisation programme has moved from planning to implementation. It has also completed a consultation about new payment systems. ***Robin Arnfield*** reports

16 / GDPR
Data is increasingly shaping society, and its regulation is evolving. Andrew Bud, CEO and founder of cybersecurity business iProov, speaks about the positives and the negatives of GDPR. ***Briony Richter*** reports

17 / REVOLUT
Revolut believes the UK could become fully cashless in 10 years, and wants to be at the forefront of the revolution. CTO and co-founder Vlad Yatsenko tells ***Briony Richter*** why this vision is close to becoming reality

18 / ECOBANK
Ecobank's Xpress Cash cardless withdrawal solution is now available in all 33 African countries where Ecobank operates. From a standing start last August, the bank has scored an instant hit, reports ***Douglas Blakey***





COUNTRY SNAPSHOTS

19 / DENMARK
Denmark's cards and payments industry is well developed, and its consumers are prolific users of payment cards. The country has the world's highest frequency of card use, with 210 transactions per card in 2017

20 / POLAND
Poland is one of Europe's most advanced markets, offering consumers broad access to the latest electronic payments technology. Nevertheless, cash accounted for 61.5% of the total payment transaction volume in 2017

21 / NETHERLANDS
The Dutch payment cards market is mature, with a high penetration rate of 1.9 cards per inhabitant. The market is dominated by debit cards, which consumers perceive to be secure, cost-effective and consumer-friendly

INDUSTRY INSIGHT

22 / AFFINION
When you hear of cybercrime victims you may conjure up a slightly stereotypical profile: they might be over 60, living alone and not very tech-savvy. ***Karen Wheeler*** cautions that the reality may be somewhat different

BENCHMARK INTELLIGENCE ON THE LIFE, HEALTH AND PENSIONS INDUSTRY

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WORLDLINE SNAPS UP SIX, SIA REMAINS ONE TO WATCH

Douglas Blakey, Editor

As EPI June goes to print comes the news that Worldline has beaten off a rival bid from Nets' owners Hellman & Friedman to snap up SIX.

The price (£2.0bn including debt) is at the higher end of the forecasts. SIX acquires a 27% stake in Worldline in addition to £245m in cash for its payments services division. Atos remains the largest shareholder in Worldline with a 51% stake.

The deal makes strategic sense for both parties. SIX is the payments services leader in Switzerland and has a growing presence in Austria and Germany.

SIX launched a strategic review last year with the aim of finding itself a partner to boost international expansion.

The Worldline/SIX deal follows recent rival market consolidations including Worldpay and Paysafe in 2017.

Attention will inevitably turn to other major actors on the payments stage such as Italy's SIA. A flotation of SIA was cancelled in 2016 and has regularly been linked with fresh plans to launch an IPO.

In March, SIA's CEO Massimo Arrighetti told Reuters that the firm was itself on the acquisition trail and looking at growth in Germany, Austria and the rest of Central and Eastern Europe.

It was to turn out to be one of Dr Arrighetti's last major strategy statements: on 11 May he resigned as SIA CEO for personal reasons.

Identifying an approved TPP in PSD2 open banking

A key part of PSD2 open banking is that ASPSPs, or as they are more generically called Financial Institutions (FIs), must be able to have confidence in who they are giving Payment Service Users' data too.

Under PSD2, all Third Party Providers (TPPs) will be required to obtain approved/registered status with their National Competent Authority (NCA) in accordance with Article 5 of Directive (EU) 2015/2366.

Further on obtaining approval all TPPs, other than those in the UK, are issued with an eIDAS certificate from a Qualified Trust Service Provider (QTSP). In the UK the PSD2 Stakeholder Group, managed by the New Payment System Operator has written to the Department of Business, Energy and Industrial Strategy (BEIS) on 20 March 2018 stating that the UK needs to create a QTSPs that that will issue Qualified Certificates in order to comply with EU law post 2019 and thus will issue eIDAS certificates to UK approved/registered companies.

There has been much discussion around whether FIs can use the eIDAS certificates presented to an FI as proof that they are approved by their NCA, and thus have access to end users data.

While an eIDAS certificate confirms who a TPP is, it does not prove they are still approved on the NCA database at the time of use and have not been revoked at some point after the issuance of the eIDAS certifcate.

Brendan Jones CCO / Co-Founder of Konsentus makes the fair point that eIDAS certificates prove who a TPP is, but not if they are approved. The Scheme Regulatory Databases offer lists of approved TPPs, but TPPs do not have to register on them. National Competent Authorities hold lists of approved and registered TPPs, but often not in a machine readable form.

And while the EBA is creating a central machine readable database, there is no timing on when this will be available.

What does all this mean and why does it matter?

Konsentus is one to watch and may be on to a good thing here. It is providing a platform that provides consent and preference management services to facilitate FIs complying with PSD2 open banking.

Jones argues that the best way to ensure that FIs do not pass data to TPPs who are not approved/registered is to integrate, and if necessary manually check NCA databases in all 31 EEA states, as well as using the EBA central database; when it becomes available. ■

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

NEWS DIGEST

BARCLAYS, PAYPAL TEAM UP FOR DIGITAL PAYMENTS

Barclays and PayPal have collaborated in an aim to make digital payments easier for customers in the UK and the US.

The move will allow Barclays customers to use PayPal accounts on the bank's online and mobile platforms, and Barclays products on PayPal accounts. Customers will be able to add Barclays cards to a PayPal wallet, have cards automatically updated when they expire, and see the Barclays card image in the PayPal wallet to help select their preferred way to pay.

A PayPal spokesperson said: "Partnership has become a core part of PayPal's strategy, to accelerate innovation and adoption of digital payments.

"This approach has seen us join forces with some companies that may have once been perceived as competitors. We now have agreements with partners across the entire payments ecosystem, including banks, card issuers and technology leaders.

"Through drawing on our own unique strengths and those of our partners, we can make payments as simple, secure and efficient as possible for our shared customers worldwide."

The spokesperson continued: "This is the first bank partnership of its kind that we have agreed in the UK. It's a major step for PayPal to be collaborating with one of the UK's leading banks. Globally, we have established more than 25 strategic partnerships across the sector in the last 20 months. By joining forces with banks, technology companies, card issuers, merchants and others, we can realise the full potential of digital technology in transforming financial services."

Ashok Vaswani, Barclays UK CEO, added: "Our customers and clients live in an increasingly connected world, and this is why we are working with PayPal to make services more joined up and convenient for them. By joining forces, we can make it much easier for people to manage their money and payments.

"Each of these new features – whether removing the hassle of updating an expired card, connecting with Pingit, or being able to see all your finances in one place – are about designing the very best customer experience."

PayPal saw its revenue grow by 24% year on year in the first quarter of 2018 to \$3.69bn, with 8.1 million new active accounts added and 2.2 billion payment transactions. ■

TRANSFERWISE LAUNCHES MULTI-COUNTRY BORDERLESS ACCOUNT

TransferWise has launched what it claims is the first borderless multi-country bank account, allowing users to seamlessly manage finances across different countries.

Anyone living in the UK and EU will be able to open the free account instantly, unlocking bank details for the UK, US, Australia and Europe. The account enables customers to receive and send money from over 30 countries.

For consumers who travel frequently or work abroad, the account enables them to manage money between countries.

The associated Mastercard debit card features low conversion fees and no transaction fees. Other benefits include free payments with currencies in the account, up to £200 (\$280) a month in free ATM withdrawals, and reduced conversion fees when converting money — typically between 0.35% and 1%

TransferWise borderless account holders can automatically convert money at the real exchange rate, and hold over 40 currencies in the account, with the ability to switch between them in seconds. There is a small fixed fee of £0.50 to withdraw funds from a borderless account to another account in the same currency.

The company is currently inviting groups of customers with borderless accounts in the UK to order a TransferWise debit Mastercard. It will launch the new account to all UK consumers soon after, with other European countries to follow. ■

HSBC goes live with SWIFT gpi

HSBC has joined SWIFT's global payments innovation (gpi) service.

SWIFT gpi will enable HSBC to significantly increase the speed, security and transparency of cross-border payments. Currently, 160 financial institutions around the world are committed to SWIFT gpi, of which nearly 50 are live on the service.

Nearly 50% of SWIFT gpi payments are credited within 30 minutes, and over 90% are credited within 24 hours. SWIFT stated that payments that take longer typically require additional compliance checks or more complex foreign exchange conversions, or are delayed by regulatory issues.

Through SWIFT's platform, HSBC customers will be able to track the status of payments in real time with an increased level of visibility, including information about each bank in its path and any fees deducted.

Diane S Reyes, group general manager and head of global liquidity and cash management at HSBC, stated: "SWIFT continues to focus on delivering value to its members and the clients they serve.

"The organisation's ability to develop new services and functionality helps its members support the needs of their clients, and prepares them for the opportunities and challenges of the future."

SWIFT gpi guarantees same-day use of funds. Its cloud-based tracker ensures both counterparties receive confirmation in real time when a payment has been credited.

In excess of $100bn is sent through SWIFT gpi every day through 350 international payment channels.

Tom Halpin, global head of payment products, global liquidity and cash management at HSBC, commented: "We are always looking to offer our clients the benefits of increased speed, transparency, security and traceability which have become vital requirements for any business that relies on making or receiving international payments. We remain committed to exceptional client service in the payments space."

Stephen Grainger, head of UK, Ireland and Nordics at SWIFT, added: "Having yet another of the world's largest banking and financial organisations go live with SWIFT gpi is a testament to the service, which is quickly becoming the gold standard for international payments.

"We have seen a rapid surge in both adoption rates and the number of transactions on SWIFT gpi, and continue to add new banks and country corridors almost daily as we expand our coverage across institutions, markets and geographies." ■

BACS CELEBRATES 50TH BIRTHDAY

Bacs Payment Schemes (Bacs), the organisation behind UK direct debits and Bacs Direct Credit in the UK, is celebrating half a century of operation.

Since launching, Bacs has processed over 125 billion payments. In 2017 alone, 6.35 billion transactions passed through the Bacs system, at a value of £4.9trn ($6.8trn), including 4.2 billion direct debits.

Nine out of 10 adults in the UK have at least one direct debit commitment, while Bacs Direct Credit is used to pay over 90% of the UK workforce, as well as a billion benefit payments, and pensions and dividends. Between the two payment types, a new combined daily record was set last year with 111.7 million transactions processed in a single 15-hour window.

Bacs also owns and manages the Current Account Switch Service, which has facilitated over 4.5 million account switches since 2013, and continues to be held up as an example of best practice.

Bacs CEO Michael Chambers, said: "We provide access to some of the most important payment methods to an ever-more-demanding consumer, as well as to business, charities, government – almost everyone in the UK is touched by our products and services, which now extend far beyond our two core payment schemes."

Paul Horlock, CEO of the New Payment System Operator, said: "As Bacs reaches this important milestone, it is fitting that we also look forwards towards what promises to be an exciting future for Bacs and the NPSO."

Horlock continued: "Our new organisation will play an essential part in enabling a vibrant UK economy, facilitating a globally competitive payments infrastructure. We will provide robust, resilient, and collaborative retail payments services which benefit all of our many users, and Bacs will be integral to that." ■

GLINT PARTNERS WITH HOOYU TO STREAMLINE ONBOARDING PROCESS

Fintech Glint has partnered with identity-confirmation provider HooYu to verify customer identities. The business aims to use the partnership to maximise speeds and success rates for customers wanting to open an account.

London-based Glint is a financial instrument that, through its app, allows customers to load money into their account and convert it into gold. Users can then utilise the Glint Mastercard to make everyday purchases, effectively using the gold as currency. HooYu was selected for the combination of identity technologies in its platform.

Glint co-founder Ben Davies said: "It was important to us to design the account-opening process to make it as easy as possible. We also needed a solution that would enable us to approve customers who had pre-registered in a simple way."

Davies continued: "HooYu has helped us get to launch and create a great digital journey that makes for easy and convenient account opening, whilst also complying with anti-money laundering regulations and preventing fraud."

David Pope, marketing director at HooYu, commented: "Glint is a truly innovative financial instrument, and in HooYu it has partnered with a truly innovative identity-confirmation service.

Pope added: "HooYu is the first identity platform to combine and blend new identity technologies such as digital footprint analysis, online ID document validation and facial biometrics with traditional database checks and PEPS and sanctions screening." ■

FNB unveils eWallet eXtra mobile account for unbanked, underbanked South Africans

First National Bank (FNB) is launching eWallet eXtra, a mobile bank account that allows unbanked and underbanked South Africans to use a feature phone or smartphone to open a bank account, without needing to visit a branch.

eWallet eXtra, which is targeting a market segment estimated at over 11 million, will charge no monthly fees and users are not required to submit paperwork, requiring only their name, surname and ID number on a mobile device. The service will go live in June.

Gugu Zikhali, FNB's head of transaction products – mass market, said: "This is a simple, accessible and cost-effective solution. If you are above the age of 16 and own a cellphone, you'll be able to get a mobile bank account with a unique account number in less than three minutes, and you don't need a bank card to transact.

"eWallet eXtra will enable users to send or receive deposits from individuals and other banks, store funds for an unlimited period, pay accounts and also buy prepaid products like airtime, data and electricity.

"Users can also on send to other recipients and withdraw at any FNB ATM or at tills across participating Spar stores, which also allow for over-the-counter purchases. The daily spend limit is ZAR3,000 ($250), and ZAR24,000 per month," added Zikhali.

eWallet eXtra users will be able to view bank account balances and transaction histories, and customers holding an FNB Connect SIM will be able to access eWallet eXtra free of charge, as they do not need airtime.

The wallet's first layer of security allows users to generate a PIN code to access their account. To safeguard customers, eWallet eXtra will not carry debit order functionality.

FNB said a key success factor for eWallet eXtra will be its ability to address gaps that the bank has identified in its analysis of entry-level bank accounts, and its popular eWallet remittance service.

According to FNB Easy CEO Pieter Woodhatch, traditional bank accounts, which carry monthly fees and accept debit orders, restrict clients to using cards and do not meet the unique needs of irregular income earners such as seasonal workers.

He said: "This is why we have integrated some eWallet functionality into the eWallet eXtra mobile bank account."

Woodhatch continued: "After an in-depth assessment of eWallet user patterns, we realised that in excess of one million users have been effectively using it as a bank account, despite the fact that the solution was designed as a remittance service.

"We believe that eWallet eXtra is the ideal solution to address this important gap, and based on the analysis of our customer base and research on financial inclusion, we estimate the size of this market to be in excess of 11 million."

Woodhatch said he believes digital adoption is the main solution to addressing gaps in financial inclusion.

"Sixty-six percent of regular eWallet users leverage digital platforms, and mobile devices remain critical in extending banking services to unbanked and underbanked populations. Digital gives customers full access to their money and puts them in control," Woodhatch concluded. ■

ECOLOGY BUILDING SOCIETY AGREES CLEARBANK PARTNERSHIP

Ethical finance pioneer Ecology is partnering with ClearBank, the UK's newest clearing bank, to help improve service delivery for its members.

Ecology Building Society provides mortgages for properties and projects that respect the environment and support sustainable communities, funded through a range of transparent savings accounts.

The partnership with ClearBank aims to help the society to take advantage of modern and effective digital ways of working, providing a foundation for the development of new products and services for Ecology members.

Ecology Building Society CEO Paul Ellis said: "Our success is based on sticking to our core principles: thinking long term and putting our members first. The march of fintech continues to shake up banking, with ever-more new entrants disrupting established ways of working.

"The partnership with ClearBank is an exciting one which will ensure we are fit for future growth and well placed to play our part as a disrupter in our markets, driving positive change."

Ellis added: "In this rapidly changing world we have to be relevant to our existing and prospective members, requiring innovation and the ability to respond to their developing needs at pace. This partnership will provide a strong platform to deliver on this.

"The partnership will focus initially on enhancing some of the internal processes that will deliver more meaningful interaction with our members – a key element of our values. Once this is achieved we aim to deliver more first-class, innovative services, supporting our vision of building a greener society."

ClearBank executive chair Nick Ogden said: "Ecology is an ideal partner for us at ClearBank – its values and track record in delivering innovative solutions fit well within our own aspirations.

"ClearBank was built specifically to create competition, and aims to change the market dynamics radically after many years of consolidation."

Established in 1981 and based in West Yorkshire, Ecology is the third-smallest of the UK's 44 building societies and ended fiscal 2017 with £179m ($247m) in assets. At the end of 2017, total savings deposited grew by 3% to £168m. ■

RBC teams up with Samsung Canada to offer Samsung Pay

Samsung Electronics Canada has announced that Royal Bank of Canada (RBC) personal payment cards are now supported by Samsung Pay, increasing the overall consumer availability of Samsung Pay in Canada.

Samsung's partnership with RBC follows other Samsung Pay partners in Canada, which include CIBC, Scotiabank, ATB Financial and Visa Canada.

Research carried out in 2016 found that 29% of Canadians had actively used a smartphone to make mobile payments, while 74% of mobile payers stated that they would like to see reward programmes and mobile wallets integrated to ensure that they can redeem rewards points immediately.

Paul Brannen, COO and executive VP of Samsung Electronics Canada, commented: "We're excited to work with RBC, a valued and long-standing partner, in delivering an exclusive, industry-leading mobile payment experience through Samsung Pay.

"Samsung Pay provides real-life benefits to Canadians, ensuring the cards they need are easily available on their smartphone."

Samsung sets out details on how to use its mobile payments platform on its website. To make a payment, consumers simply swipe up, scan their fingerprint or iris, or input a four-digit PIN, and tap to pay.

Samsung Pay uses three-level authentication to ensure payment security: fingerprint or iris authentication, tokenisation, and Samsung Knox, Samsung's mobile security platform. The mobile payment system is currently available in 20 countries and supports debit and credit cards issued by more than 870 global and regional banks.

Samsung Pay is compatible with Samsung smartphone devices including the Galaxy S9 and S9+, Galaxy Note8, Galaxy S8 and S8+, Galaxy S7 and S7 edge, Galaxy S6, S6 edge and S6 edge, Galaxy Note5, Galaxy A8 and Galaxy A5. ■

REVOLUT RELEASES SPARE CHANGE-SAVING FEATURE

Digital startup Revolut has launched its money savings app, Vaults.

Named by Revolut users and promoted with the tagline 'save the spare change!', Vaults allows users to round up everyday purchases and deposit the resulting change into an account that can be withdrawn from at any time.

Users are able to save in any of the 25 currencies that Revolut supports. It can also save in cryptocurrencies such as Bitcoin, Litecoin and Ether.

Revolut CEO Nikolay Storonsky said: "Offering spare change savings and round-ups to Revolut users has been one of our most popular feature requests.

"We've had thousands of people in our community asking for this feature, so we wanted to give something back and ask for their help in naming it.

"We believe that Vaults will enable us to help many more people start saving and investing towards their future."

A similar solution, Moneybox, also lets users round up and save change from purchases. Users can then invest the money saved in cash funds, global shares funds, or property shares funds. ■

iProov awarded Homeland Security contract

UK biometric business iProov has been selected by the US Department of Homeland Security Science & Technology Directorate's Silicon Valley Innovation Programme to tighten cross-border passenger travel security.

iProov will support the US Customs and Border Protection (CBP) in improving the passenger entry operation process by utilising its facial biometric technology. It will develop technology to enhance cross-border passenger travel at unmanned ports of entry, while also aiming to significantly reduce processing time.

The technology aims to help US CBP swiftly and accurately identify travellers as they pass through US border crossings.

Dr Liam Fox, Secretary of State for the UK Department for International Trade, commented: "The UK and US are world leaders in cybersecurity.

"Through close co-operation across various sectors, trade between the two countries has grown to £181.2bn ($260bn) in 2017 – making the US our largest trading partner and biggest export market." ■

WIRECARD MOBILE SOLUTION ACCESSIBLE ON FITBIT PAY

Wirecard has collaborated with Fitbit to offer contactless payments using Fitbit Pay across Europe.

The initiative will enable all Fitbit Pay customers in Europe to benefit from Wirecard's boon mobile payments solution, a secure, fully digital method for making mobile payments at the point of sale. It will allow users to make payments without either a physical wallet or mobile phone.

Users from Italy, Ireland, Spain, Switzerland and the UK will be able to add digital boon cards to Fitbit Pay and make secure purchases with Fitbit Ionic or Fitbit Versa smartwatch devices anywhere that Mastercard Contactless is accepted.

Georg von Waldenfels, executive VP of consumer solutions at Wirecard, said: "We are proud to announce our partnership with Fitbit, offering our customers increased flexibility and freedom of choice when selecting their favourite devices to use their digital boon cards."

He continued: "boon customers can now even lock away their phones and worry less about their belongings during sporting activities without compromising their daily activities." ■

BARCLAYCARD: THE POWER OF PAYMENTS

In a world of digital convenience, payments are now involved in every aspect of our lives. Nick Kerigan, MD of future payments at Barclaycard, speaks to *Briony Richter* about what drives payment innovation

What was once considered as the 'behind-the-scenes system', payment activities are now the focus of attention within the financial sector, and among consumers.

Nick Kerigan chats about what Barclaycard does to power innovation in payments.

"Barclaycard has a rich heritage of innovation. We were the first to launch a credit card in the UK in 1966," he notes.

"I think it is important how we look at innovation, and there are several different ways of doing that, but we at Barclaycard have a particular type of lens on the world, and what sits at the heart of it is looking at what the customer actually needs."

He adds: "As technology change increases exponentially, that gives us the ability to create new and better solutions for customers much faster and cheaper than we ever have before – that's what gets me out of bed in the morning."

Consumers expect quick and easy solutions to managing their finances. For financial companies, it is important to link those convenient, financial solutions to consumers' day-to-day lives. In this Open Banking ecosystem, the ability to innovate, deliver and grow efficiently relies on products and services that are open, seamless, secure and instant.

"As consumers, we get used to getting new experiences that meet those customer needs better, and we see them in different parts of our lives.

"For us, the technology is very much an enabler and it's driven by the need. I call that the virtuous circle of payment innovation," Kerigan explains.

Kerigan and the team at Barclaycard view Open Banking as an opportunity. For Barclaycard, it all comes down to customer experience, and financial institutions must continually meet consumer needs to survive in our current payments ecosystem. Failing to develop new and more efficient user experiences will ultimately result in financial institutions losing customer loyalty.

INVISIBLE PAYMENTS

Invisible payments are driving a frictionless and interactive payment experience across all sectors in society.

An invisible payment is one that takes place in the background. Consumers do not need to input a PIN or tap their cards, but simply chose a product or a service and complete the whole transaction in-app.

Kerigan states: "It's about convenience and control. One of the big trends we see in payments is invisible payments. That differentiates us: we identified early that invisible payments was becoming a trend.

The Dine & Dash 'totem'

"We created a solution called Grab and Go, which is our shopping-without-checkout experience. A consumer can go into a store, scan an item, and just pay and walk out. We piloted that in the Barclays canteen: we reduced the queuing time from five minutes to 27 seconds."

This new innovation allows the purchase process to become practically non-existent

In March 2018, Barclaycard trialled another invisible payments solution, dubbed Dine & Dash. In partnership with restaurant chain Prezzo, the Dine & Dash technology can be accessed through a mobile app, where the customer can instantly pay for their meal without having to wait for the bill. A 'totem' placed on the tables lights up blue when Dine & Dash is activated. When the consumer is ready to leave, they simply tap to pay and the totem turns green.

Kerigan explains that the reason for the physical totem is to reassure customers: "As we got deeper into the research, what we found is that customers want to have that convenience of just being able to walk out. Equally, consumers want the reassurance that they have paid the bill.

"We created a physical device that sits on the table at a restaurant; we called it the 'totem'. The idea of that was to give the customer a visual indicator."

This innovation came after research from Barclaycard revealed that over a third of restaurant-goers (36%) found waiting for the bill the most frustrating part of eating out. Barclaycard saw an opportunity to integrate a more seamless payment solution into the restaurant industry.

So, what is the future for payments? Kerigan believes there is much more to offer when harnessing technology and keeping the customer at the centre of it all. Summing up, he says: "Payments will become invisible in a much more broad sense. Ten years ago, to say that payments would be at the heart of innovation would seem odd. It used to be in the background, but now payments are at the forefront and touch every sector."

Finding the balance between reducing the payment process and enhancing the quality of the overall customer experience will be crucial for the success of the payments industry. The less noticeable payments become, the more value they contribute. There is no denying that, as a society, we have entered an exciting age of payments invisibility. ■

TECHNOLOGY: TINKERING AWAY AT THE BACK END

Scandinavia is often cited as a hub of innovation, and Tink is no exception. *Patrick Brusnahan* speaks to co-founder and CEO Daniel Kjellen about the changes the business is currently facing up to

Founded in 2012 by Kjellen and CTO Fredrik Hedberg, Tink's goal is to bring "financial happiness" to its customers.

Speaking to *EPI* about the founding, Kjellen says: "We felt that there might be something more to life than working for one of these financial institutions. We saw an opportunity to mix technology and finance.

"Tink is a product and an engineering company at heart. Today, we have half a million users in Sweden. Taking that journey onwards, we allowed customers to make payments from our API; basically, any type of payment or transfer you could do with you bank, you can now do with Tink."

Its direct-to-consumer app is live in Sweden, and allows customers to transfer money, pay bills, save towards goals, take out loans and open new accounts. It can also suggest the best financial services for each customer.

"In 2017, we launched a tailor-made marketplace because I think that to give users advice, you have to make it actionable," Kjellen explains. "You can remortgage inside the Tink app; you can open a savings account. Ultimately, this will be on autopilot. Instead of asking someone if they want a remortgage because there's a better offer coming up, we're just going to do it for you, given you save enough money."

However, while the app is aiding customers in Sweden, Tink's work at the back end is making waves globally. This area is expanding "dramatically", and the business is pushing this rather than the consumer-facing app, with Kjellen stating that around 90% of Tink's current efforts are on the B2B side. Since the API's launch, it has been integrated with banks such as Nordea, SEB, BNP Paribas and ABN Amro – but the potential is limitless. Starting in Sweden and the Netherlands, the API is now available in over 10 markets and has doubled its customer count.


Daniel Kjellen, Tink

Kjellen says: "Eventually, we started to collaborate and that worked out really well, and we understood that this was a fantastic way to get leverage on the technology we've built. We can make this retail banking market smarter. We want to bring transparency and, ultimately, move power from the banks that are not good enough to the consumer and the bank with which they choose to work."

However, why are banks turning to Tink and not building something in house? "They partner with us because they share the vision that consumer banking will be data-driven in the future," Kjellen says.

"The winner of this will be the one who makes sure they have all data that's relevant – that uses all that data to help the user understand their finances, and to be able to provide advice to the customer and sell products on top of that understanding and advice. The one who gets those three things together will be the holy grail of data-driven banking."

Some have suggested that consumers are not quite ready for this level of service. While the Nordic region is arguably more advanced when it comes to this tech, it is not the same in every region. Research company Accenture found that 69% of UK consumers would not share their bank account information with third-party providers, while 53% stated they would never change their banking habits and adopt Open Banking.

Kjellen adds: "It was the same back in Sweden in 2012. After two or three years, when we proved we were someone you could trust and that we delivered value, that all changed. I think that's likely to happen in the UK as well."

OPEN BANKING

Open Banking is well and truly the banking zeitgeist. It is not just an industry talking point, it has also started to intrude on the consumer mindset – although not in the way the industry would like. According to Accenture, 58% of UK consumers would be unwilling to initiate a payment on an online platform. Many feel Open Banking is not safe, with 74% of respondents cautious of data protection risks, and 69% feeling there is high potential for cyberattacks.

Kjellen is more optimistic, and believes Open Banking will be "transformational". He explains: "The retail banking market is one of the least-functioning ones. It has very low transparency and very high switching costs. With most people, with banking they don't get the advice they need.

"How did we end up here? Banks have had a monopoly on people's finances and that leads to a monopoly on mass market advisory. They've also had a monopoly on transferring funds; combine that with distribution through a national brand network and you get something hard to compete with.

"However, distribution is becoming increasingly digital," Kjellen concludes. "In a few years' time, I think most will buy consumer financial services virtually only online – with very few exceptions. Those barriers to entry are going away." ■

YOYO TACKLES THE INERTIA OF THE INCUMBENT

Enabling a buyer to make a payment is no big deal; there is an increasing plethora of businesses that allow consumers to do that. The trick is to make the experience worthwhile, and that is where Yoyo Wallet comes in. *Patrick Brusnahan* speaks to CEO Michael Rolph to find out more

Founded in 2014, Yoyo claims to be the "fastest growing" mobile wallet in Europe. It focuses on tokenisation-based security, and loyalty.

It currently it holds 750,000 registered users, and is quickly approaching 400,000 active users. Yoyo has also established a presence on the high street by collaborating with brands such as coffee shop Caffè Nero and grocery store Planet Organic.

So why is this form of payment different? Speaking to *EPI*, Yoyo CEO Michael Rolph says: "When you consider that contactless, as well as chip and PIN, work pretty well from a payments point of view, you have to wonder how you can make it better. You do that by taking away the wrinkles in the experience.

"What we've done is combined an experience of payments and loyalty. We've taken a transaction experience and made it better. We do more than just payments and that's what it boils down to."

Yoyo is split into two "really important pieces of technology": the commerce API and the wallet API. The commerce API has the ability to be integrated into any POS, whether in-store or online. Meanwhile, the wallet API allows people to identify themselves through tokenisation and receive loyalty points, offers, rewards and receipts.

Rolph explains: "The Wallet API can exist in any app environment. Yoyo has an app called Yoyo, but there's also an app called Caffè Nero that is completely powered by Yoyo. If you go to the analogy of a train, essentially Yoyo has created hyperloop and we've also created the new train that goes inside that."

WHERE IS IT IN THE CHAIN?

Having its own app and own brand, but also being at the back end of other businesses' propositions, Yoyo holds a unique position. But does Yoyo want to be front and centre or would it rather stay in the background?

Rolph says: "We think the fact that we power these experiences is far more exciting and interesting than having to necessarily worry about an app called Yoyo."

"The fact we have the app is great and allows us to show ourselves to the world, but our technology and our infrastructure are really where the excitement is at from Yoyo's perspective – and certainly from the industry's perspective. Nobody else has got what we've built," Rolph notes.

Considering that Yoyo can work with a multitude of people, does it really have any competitors?

"The competition is the inertia of the incumbent," Rolph states. "We collaborate; we can work with banks any POS provider. There are people out there who do things right.

"The world kind of works, but the reality is we're building for what the world is going to be. We've shown this."

Rolph continues: "If you look at Caffè Nero, within a year, nearly 10% of all transactions are going through an app that's powered by Yoyo. You've got someone like Planet Organic which is prominent in the Yoyo app. We've identified and enabled 25% of all their transactions."

"Every week, we have more and more corporate offices accepting Yoyo, which is great for the network," Rolph explains. "We have over 750,000 registered users now, and approaching 400,000 monthly actives. We are starting to go live in the high street. Expect to see more names over the course of the next three to six months.

He concludes: "We don't have to think about reinventing banking. Fundamentally, banking sort of works and they have customers. Our job is to enable the incumbent banks to enable better experiences." ■


Michael Rolph, Yoyo

PAYMENTS CANADA IMPLEMENTS NEW PAYMENTS MODERNISATION PROGRAMME

Payments Canada's national payments infrastructure modernisation programme has moved from planning to implementation. In March 2018, the organisation implemented a credit risk model, and this autumn it will enhance Canada's electronic funds transfer system. It has also completed a detailed consultation with members and stakeholders about the new payment systems envisaged in its modernisation target end state. *Robin Arnfield* reports

Operating under an Act of Parliament, Payments Canada manages Canada's core payments infrastructure.

This includes the Automated Clearing Settlement System (ACSS), a batch-based retail system processing 28 million transactions a day between Canadian financial institutions (FIs), and the Large Value Transfer System (LVTS) real-time wire transfer system.

According to Payments Canada's *2017 Canadian Payment Methods and Trends* report, in 2016, the total Canadian payments market accounted for 21.3 billion consumer and business transactions worth over C$9.2trn ($7.24trn). In 2016, the electronic funds transfer (EFT) transaction value outgrew the cheque value for the first time, while online banking transfers were up by nearly 51% to reach C$68bn.

"In 2016, a major payment industry milestone was reached as EFT grew to become the largest instrument in terms of transaction value (45.4%), moving paper-based payments to second place," the report notes.

"EFT includes electronic bill payments, pre-authorised debits and direct deposits, which have combined to provide alternatives for transactions that had traditionally been cheque-intensive."

LONG PROCESS

Payments Canada originally embarked on consultations and planning for its modernisation programme nearly 10 years ago. Its credit risk model is a significant milestone en route to the development of a new payments infrastructure offering data-rich real-time clearing and settling of payments based on ISO 20022.

"The introduction of a credit risk model means the ACSS will be aligned with international best practices and risk management standards," Payments Canada says. "The Interim Credit Risk Model will see system participants pledging collateral to cover the risk they bring to the system."

The ACSS clears the vast majority of Canadian electronic and cheque payments. It is used by participant FIs – 'direct clearers' – which handle payments clearing and settlement for their own customers, as well as for customers who maintain accounts at other FIs, known as 'indirect clearers'.

The LVTS supports settlement of other payment networks and financial market infrastructures, which include final settlement of the ACSS. Payments Canada also operates the US Dollar Bulk Exchange system for payment items in US dollars, drawn on US dollar accounts at FIs in Canada but settled in the US.

CREDIT RISK

The central Bank of Canada has designated the ACSS as a prominent payments system, which requires more stringent risk-management criteria to be implemented.

A Payments Canada paper, *A Primer on Credit Risk in Payments Canada's Automated Clearing Settlement System,* examines the magnitude of credit exposure when direct clearers default.

The paper notes that credit risk exists in the ACSS, as a survivors-pay loss-allocation mechanism is embedded directly into the system's rules.

Reviewing the last 10 years of daily ACSS data and simulating many thousands of potential defaults, Neville Arjani, the paper's author, found that the largest exposure was over C$500m for one ACSS participant.

"For a large bank, that's most likely manageable when the economy is stable. Trying to secure C$500m in a crisis like the one being contemplated in the paper may be more difficult," the paper notes.

MODERNISATION END STATE

In December 2017, Payments Canada published *The Modernisation Target State (summary version),* which outlines the target end state for the modernisation of the Canadian payment system, including core infrastructure, rules and standards.

The target state comprises three new systems, which will operate under an enhanced risk, regulatory and rules framework – balancing the need for safety and soundness with accessibility to spur innovation, Payments Canada says.

"Fundamental to each system is the introduction of the ISO 20022 payment messaging standard, which enables the flow of more data with payments," it says.

Lynx

Canada's new Lynx system will replace the LVTS, and will comply with the Bank of Canada's risk-management standards for systemically important payment systems.

Retail clearing

Also referred to as Settlement Optimisation Engine (SOE), this system will replace the existing ACSS and US Dollar Bulk Exchange platforms.

It will clear retail batch payments and comply with the Bank of Canada's risk management standards for prominent payment systems. It will enable faster, more convenient Automated Funds Transfers (AFTs), a Canadian payment mechanism used for payroll, bill and mortgage payments, and other electronic funds transfers.

Real-Time Rail (RTR)

This new, always-on payments infrastructure will support immediate payments and funds transfers. As a platform for future innovation, it will enable payment system participants to provide overlay services offering new ways to pay for goods and services and transfer money.

Payments Canada also plans several short-term deliverables, including enhancements to the Automated Funds Transfer system. In autumn 2018, two-hour funds availability for AFTs will come into effect, enabling same-day payroll, expedited bill payments and faster invoice settlement.

Speaking to Jan Pilbauer, Payments Canada's CIO and executive director for modernisation, *EPI* asks whether new federal regulations will be required to facilitate the RTR, for example to open it up to non-banks providing overlay services.

"The need for more open, risk-based access to facilitate competition and innovation was one of the key findings of our vision consultation [with stakeholders]," Pilbauer replies.

"Payments Canada's enabling legislation defines who can be a member, and therefore a participant, in our systems. As part of our modernisation programme, we're working with the [Federal Government's] Department of Finance, the Bank of Canada, our members and our stakeholders to review access to Canada's core payments systems, including the RTR, with a view to providing risk-based open access beyond our current mandate.

"Our modernisation target state is to have Phase 1 of Lynx live in 2020, followed by future releases from 2021 onwards," Pilbauer continues. "The RTR is expected to go live in the latter half of 2019, with supplementary releases to follow in 2020 and beyond.

"We're in the planning stages for the retail batch payment system which will replace the ACSS and US Dollar Bulk Exchange. This is a collaborative effort with the Bank of Canada and our member FIs to align the solution and the timeline with regulatory and market priorities, including the delivery of Lynx and the RTR."

Pilbauer adds: "Meanwhile, we're enhancing the existing system to deliver immediate market value. This includes implementing a new credit risk model to align the ACSS with international best practices and risk-management standards, and improvements to Automated Funds Transfer this autumn to bring faster, more convenient batch payments to Canadian businesses.

"The AFT improvements will be achieved by introducing a third time of day for FIs to exchange batch payments, and new obligations to provide funds availability within two hours.

"These changes will help FIs clear transactions faster and more frequently for their customers, enabling new features like same-day payroll, expedited bill payments, faster invoice settlement, the migration from paper and cheque payments, and more uniform service across all Canadian time zones. All these enhancements support our target modernisation end state, and will be reflected in the new system."

BLOCKCHAIN

Payments Canada is collaborating with financial blockchain technology vendor R3 on a distributed ledger technology (DLT) research project code-named Jasper. The project's other participants are the Bank of Canada, CIBC, TD, Scotiabank, BMO Bank of Montreal, Royal Bank of Canada and HSBC Bank Canada.

"Project Jasper was launched in March 2016 to better understand how DLT could transform the future of payments in Canada," Andrew McCormack, Payments Canada's senior director of technology, tells *EPI*. "In the first two phases, the project focused on exploring the clearing and settlement of high-value interbank payments using DLT.

"During the first phase, a distributed ledger prototype was built to investigate the use of a central bank-issued inter-bank settlement token – this essentially acted as cash," McCormack says. "At the end of the second phase in May 2017, we concluded that, while blockchain has immense potential, it doesn't yet provide an overall net benefit relative to our current centralised systems.

"Phase II's findings included acknowledging that enterprise blockchain platforms like R3's Corda have made significant advances in terms of privacy and confidentiality, security, scalability and programmability."

"Project Jasper's third phase involves Payments Canada working with the Bank of Canada and Canadian financial markets operator TMX Group to expand the DLT proof of concept to include securities clearing and settlement. The project team is building an integrated financial market infrastructure in order to reduce equity trade settlement from days to minutes, and optimise the collateral requirements for market participants."

> " WHILE BLOCKCHAIN HAS IMMENSE POTENTIAL, IT DOESN'T YET PROVIDE AN OVERALL NET BENEFIT RELATIVE TO OUR CURRENT SYSTEMS

McCormack continues: "Project Jasper examines wholesale clearing and settlement use cases for DLT. As Payments Canada operates in the wholesale [payments] space, we're looking at whether DLT meets our needs, from a technology perspective, in terms of accomplishing the wholesale clearing and settlement services we offer.

"We're asking whether there are new or better ways to manage our processes and can we leverage DLT. We're taking a utilitarian view of what DLT could do for us. TMX's financial markets infrastructure involves derivatives and equities clearing and settlement, and we run the clearing and settlement of payments.

"In Project Jasper's third phase, we bring these two infrastructures together theoretically to see if we can make inter-bank processes less costly and more efficient – for example, reducing the time involved in clearing equities from T+2. We've engaged with several commercial banks to review the technology and business implications of what we've been discussing."

McCormack adds: “Payments Canada’s mandate from parliament comprises setting payments industry rules and policies, operating wholesale services such as wire transfer services and clearing and settlement, and innovation and facilitating industry discussions. So, experimenting with DLT within Project Jasper is a perfect fit with our innovation mandate. DLT has been a great catalyst for industry-wide collaboration.

“We aim to make an announcement at our May 2018 Payments Canada Summit in Toronto about the findings and discussion points from Project Jasper’s third phase. Shortly afterwards, we hope to release a white paper about the third phase.”

STAKEHOLDER COMMENTS

In February 2018, Payments Canada completed its Modernisation Target State public consultation. Payments Canada says the consultation validated support for some key elements outlined in the target state, while raising several considerations.

“Feedback was shared about allowing the highest level of access to each system [offered in the target state] by giving FI members equitable access to the exchange, clearing and settlement functions, as a means to enable firms to grow without having to rely on their direct competitors’ services,” it reads.

Payments Canada says there is “support for a risk-based approach to broadening access, with the requirement that risk tests adopted equally apply to all participants as the most effective way of preserving the payments infrastructure’s overall safety, soundness and security”.

Stakeholders agreed that the RTR has the potential to serve as a platform for innovation, and that access needs to be balanced with prudent risk management.

“There is a desire for conditions that consider fairness and transparency for non-FIs to support levelling the playing field to encourage inclusion and competition between new entrants, incumbents, and potential new entrants,” Payments Canada says.

ANALYST COMMENTS

“Payments Canada’s goal is to open up real-time payments so you can just send money to someone via their email address or mobile number,” says Christie Christelis, president of Canadian payments consultancy Technology Strategies International.

“But, because a lot of stages have to take place in the modernisation programme, this won’t happen quickly.”

Christelis says one issue is that Canada’s B2B payments are still heavily cheque-based. “Improving the Automated Funds Transfer system will really help to put an end to business cheques,” he says.

Another issue is that providing overlay payment services on faster payment rails would require Canadian banks to open up their APIs. “The Canadian Government wants banks to open up their APIs,” he says (see below). “But I think Canadian banks may not be that keen, as they feel threatened by open APIs and they will still have to bear the burden of regulatory compliance. So I think it will be a long time before we see open APIs becoming a reality in Canada.”

Christelis notes that some banks will be more advanced than others in offering open APIs and Open Banking. One example is RBC which, in March 2018, became the first Canadian bank to launch its own API developers’ portal.

“The RBC developers’ portal will allow eligible, external software developers, industry innovators and clients to access select RBC APIs,” RBC says. ■

FINANCIAL SECTOR HIGHLIGHTS IN CANADA’S 2018 BUDGET

The government’s March 2018 Budget includes measures affecting Payments Canada, its members and key stakeholders.

“These components include legislative amendments that support our modernisation efforts, as well as investments in cybersecurity, which is in line with our mandate to ensure safe and secure payment systems,” says Payments Canada.

Payments Canada outlines the measures as follows:

- The ***Open Banking review*** proposes to review Open Banking’s merits in order to assess whether it would deliver positive results with the highest regard for consumer privacy, data security and financial stability;
- Proposals to ***support an innovative retail payments system*** include consultations with stakeholders, including Canadian provinces and territories, on a proposed oversight framework. This aims to ensure that retail payment services continue to be reliable and safe, and that service providers can continue to develop faster, cheaper and more convenient methods of payment. Concluding the consultation process, the government intends to introduce legislative amendments to implement a new framework.

  In the coming months, the government plans to launch a review of the Canadian Payments Act to ensure Payments Canada is well positioned to continue to fulfil its public policy objectives of ensuring the efficiency, safety and soundness of its systems;
- Proposals to ***modernise the financial sector regulatory and legislative framework*** include legislative amendments to implement targeted proposals from the government’s earlier financial sector legislative review. Priority amendments would adapt the legislative framework and facilitate greater partnering in response to the emergence of fintech. The existing Financial Sector Framework has a statutory sunset date of March 2019, and
- ***Enhancing consumer protection in banking*** proposes to introduce legislation to strengthen the Financial Consumer Agency of Canada’s tools and mandate, and to continue to advance consumers’ rights and interests when dealing with FIs. ■

DATA REGULATION: WHO IS READY FOR GDPR?

Data is increasingly shaping society, and its regulation is evolving. Andrew Bud, CEO and founder of cybersecurity business iProov, speaks about the positives and the negatives of GDPR. *Briony Richter* reports

In what is set to be the EU's most significant data shake-up, banks and other companies will face even stricter consequences for failing to securely store consumers' financial and personal data.

The General Data Protection Regulation (GDPR) comes into action on 25 May. From banks to governments to supermarkets, data is now at the heart of everyday operations. GDPR will override the existing Data Protection Act (DPA) of 1998.

Although similar to DPA, GDPR is more focused on strengthening data privacy. Under the new regulation, organisations across the EU, and those that process EU citizens' data, will have to get specific and clear consent from consumers for data collection.

GDPR will give consumers back control over their personal data and harmonise the regulatory ecosystem by uniting regulation across the EU. Bud believes GDPR will positively change the industry.

He tells *EPI:* "The most important thing is Pan-European alignment. The challenge in the past was you had the old data protection directive, but that got implemented and interpreted differently in different countries.

"For example, in the UK an anonymous face is not considered personal data; in Germany it is. Therefore, the process is totally different in those two countries. That makes trying to build a pan-European services business extremely challenging, because you've got two different types of regulation.

"Now, GDPR to a significant extent standardises that across Europe because it's not a directive, it's a regulation; that means it applies as written everywhere."

Furthermore, similar to Open Banking, GDPR will let organisations have a greater understanding of individuals' data. With that data, financial organisations can address the needs of consumers more accurately.

FINES

With GDPR just around the corner, banks and financial institutions have had a wake-up call for data security.

"It creates a clear framework for stewardship of personal data – to ensure that people's data cannot be stolen or abused," Bud states.

Personal data is shared constantly every day through multiple organisations. In the past couple of months, data breaches from Facebook and Cambridge Analytics have become the centre of attention, highlighting the urgent need for GDPR to hold companies to account.

If companies fail to demonstrate that they safely store personal data, there will be heavy fines. More notably, GDPR gives more control to the customer to hold financial institutions and other companies to account.

Bud explains: "To be fined, you have to be found to be recklessly incompetent – it specifically says that individuals can sue for damages; that's huge. In the UK it hasn't been possible to sue for non-monetary damages: if there was a data breach under the data act currently, you could only sue for direct monetary loss."

If a bank or financial institution suffers a breach, they must inform the information commissioner's office immediately and take measures to minimise the damage.

iProov takes no shortcuts when it comes to protecting its systems. "We at iProov have been firm in making sure that building our systems has been done in a way that means, if we are attacked, we will know about it," Bud explains.

The company's strong reputation for facial biometric security has reached overseas. In April, iProov was awarded a contract from the US Department of Homeland Security

In order to make travelling across borders more secure, iProov will support the US Customs and Border Protection in improving the passenger entry operation process by utilising its facial biometric technology. The technology iProov provides will be able to detect whether facial identification given has been copied.

GDPR requires that every organisation demonstrates that it processes data securely and fairly. By demonstrating how data is stored and used, banks and financial institutions will be able to build better customer relationships, and restore the trust of individuals in the processing of their data.

Bud highlights the standard GDPR sets to the rest of the world. "Planting the stake in the ground that demands companies to steward people's personal data as carefully they steward people's money is an unmitigated good. I think the rest of the world will turn to GDPR.

"The reason that London is a huge global financial sector is that people trust the regulation here. The reason that Europe will become a huge data centre is because people trust the regulation."

One of the key provisions of GDPR is that many things will now require consent from the consumer, but also that the consumer has to fully understand what they are agreeing to.

"Up until now it's been possible for a company to present a consumer with, for example, a 90-page privacy document that the consumer could agree to, and that was considered consent.

"I don't think it's very transparent. GDPR is much stricter about saying that this consent has to be structured in a way that is informed and comprehensible."

Bud believes GDPR offers organisations the opportunity to transform their business operations. Consumers are increasingly aware of how valuable their personal data is to businesses. However, trust has become a major issue for incumbent banks.

What GDPR can support is transparency, and that transparency should lead to an increase in trust from consumers. ■

REVOLUT: IMAGINING A FULLY CASHLESS SOCIETY

Revolut believes the UK could become fully cashless in just 10 years, and wants to be at the forefront of the revolution. CTO and co-founder Vlad Yatsenko explains to *Briony Richter* why this vision is close to becoming reality

Revolut has been breaking down barriers in the banking industry since its launch.

According to GlobalData research, the number of Revolut users sat at around 1.5 million in 32 countries, as of April 2018.

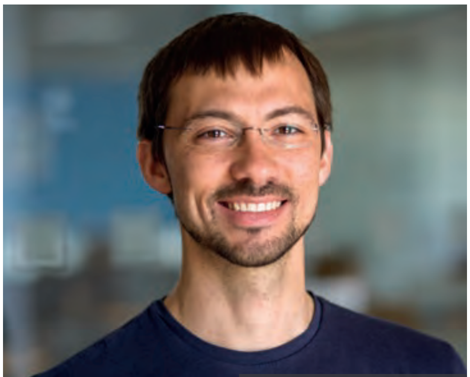
There is no denying that the vast majority of consumers enjoy and benefit from a range of digital payment methods. The simplicity of conducting banking tasks is one of the biggest motivators to go digital. Carrying wallets and numerous cards has become an annoyance.

Speaking to *EPI,* CTO and co-founder, Vlad Yatsenko details what the UK needs to do to become cashless: "If the UK aspires to be fully cashless within the next 10 years, we need to continue to innovate and encourage the use of financial technology. Britons still have a very strong emotional connection to cash, even if they aren't using it as much, so it's best to slowly make the transition into becoming a fully cashless society."

Across the world, cash transactions are continually and significantly falling. According to the 2017 *World Payments Report (WPR),* non-cash transactions will increase at a CAGR of 10.9% between 2015 and 2020.

So should the UK accelerate its cashless efforts? Yatsenko certainly thinks so: "The advantages of a cashless society are an increase in ease, convenience and security. Cashless transactions speed up services and reduce the risk of crime – specifically robberies. Digital transactions are easier to track."

The idea of a cashless economy can appear utopian, and yet in Sweden, it is within touching distance. Yatsenko explains that the UK is behind due to infrastructure.


Vlad Yatsenko, Revolut

"Unfortunately, UK infrastructure lags behind countries like Sweden, and our relatively large population isn't an ideal test-bed for cashless innovation.

"We've still got a long way to go until lumbering traditional banks fully adopt cashless technology, and even then not all consumers tend to trust the big banks or institutions with their information."

WIPING OUT CASH

Sweden is wiping out cash at a rapid rate. According to the *WPR,* 36% of the population in Sweden claim they never use cash, compared with 17% of Brits.

SEB, one of Sweden's largest banks, only handles cash in seven of a total of 118 branches, and the bank has stated in the past that its new focus will be on providing digital tools in branches that are designed to encourage customers to complete banking tasks on their own. 'No cash accepted' signs are increasingly becoming a common sight across Sweden.

Cashless technology can be tricky to integrate into places in the UK that are rural and more difficult to reach. Many worry that a cashless society could further marginalise the elderly and lower-income citizens.

Whether you are for or against increased surveillance, a cashless society will significantly increase the level of insight governments and banks have into individuals' lives. In a world without cash, every payment is traceable.

Today, Facebook profiles reveal a public persona that an individual can tweak and control, but in payments, consumers put their money where their mouth is.

Many argue, correctly, that digitising all payments will reduce levels of financial crime, such as extortion, corruption and burglary. That said, it also opens the doors to different types of financial crime. Companies and consumers will still be vulnerable to security risks such as online fraud and cyberattacks. If all transactions are digital, a well-executed cyberattack could lead to massive losses. Furthermore, by adding more financial details online, along with the personal data that is already accessible, crimes like identity theft will increase.

Revolut believes that, overall, a cashless society has more positives than negatives, and wants to lead the way in creating a thriving and secure one. Yatsenko states: "Revolut is enhancing the accessibility and ease of cashless societies with its mobile and contactless payments services.

"Revolut's latest feature, disposable virtual cards, includes card details that automatically change after every transaction, protecting customers against account fraud, cybersecurity threats and runaway subscription fees.

"We believe that digital-only banks are beginning to be recognised by the majority of the public, driving significant numbers of customers to change banks, and building awareness and trust," Yatsenko notes.

"Digital-only banks are offering powerfully attractive alternatives and improvements on how people handle their finances, and increasingly convincing consumers they can be trusted by delivering on their promises for security, reliability and privacy."

Technological innovation is pushing countries towards a cashless environment. Looking at London in particular, where contactless technology was successfully rolled out by Transport for London, it is clear there is scope for such innovation to thrive in the UK. Whether it takes 10 years or longer, Revolut is set to make breakthroughs in developing more cashless initiatives. ■

XPRESS CASH: ECOBANK SCORES QUICK CARDLESS HIT

Ecobank's Xpress Cash cardless withdrawal solution has been integrated in the Ecobank Mobile App, and is now available in all 33 African countries where Ecobank operates. From a standing start last August, the bank has scored an instant hit with impressive early customer take-up, reports *Douglas Blakey*

It is the first cardless withdrawal solution in the world to be integrated in a single mobile app solution across 33 countries, 18 currencies and four major languages: English, French, Spanish and Portuguese. Ecobank is onto a winner with Xpress Cash.

The product offers customers the ability to receive or withdraw cash from Ecobank Xpress Point agents or any Ecobank-branded ATM without a card.

Customers have the option to share an e-token with any beneficiary in the same currency of both the sender and beneficiary. This option allows for cross-border redemption of the e-token, and, says Ecobank, none of its rival banks in any of the markets where it operates have been able to offer customers this value-added proposition.

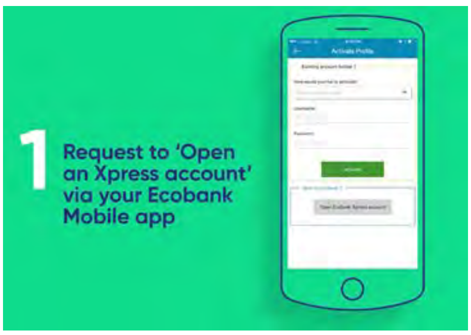
BENEFITS

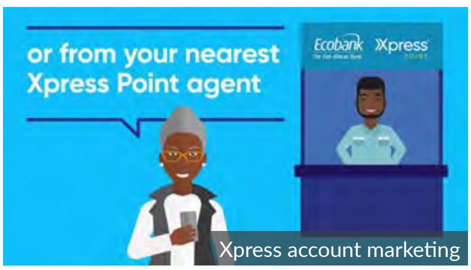
The Ecobank Xpress Cash product was introduced in late August 2017 to offer the following benefits:

- 24/7 access to customer funds without a card through any Ecobank ATM or Xpress Point Agent;
- The ability to share e-token code with others – ideal if you need to quickly get cash to friends and family;
- Real-time remittance to any beneficiary in any of the countries in the same currency of both the sender and beneficiary, i.e. the CEMAC and UEMOA monetary zones where the currency used in all countries is the same;
- Beneficiaries do not pay for this service, and
- By authenticating through a random e-token number instead of the traditional card and PIN system, customers can retrieve cash without worrying about their PIN being stolen or their card being skimmed.

The Ecobank Xpress Cash product is available to all Ecobank Mobile App users, including holders of current and savings accounts, as well as Ecobank Xpress account holders. The primary distribution strategy for this product is through Ecobank-branded ATM terminals and Ecobank Xpress Point Agents.

With the advent of banking through mobile phone and increased mobile phone penetration across Africa, Ecobank has been successful in integrating its banking services through the Ecobank Mobile App to serve the growing needs of its customers.





Xpress account marketing

The Ecobank Xpress Cash product now offers its customers without a debit card convenient access to their funds 24/7. Customers also have an option to share an e-token with any beneficiary via WhatsApp, SMS or email for redemption at any Ecobank ATM or Ecobank Xpress Point Agent.

POSITIVE IMPACT

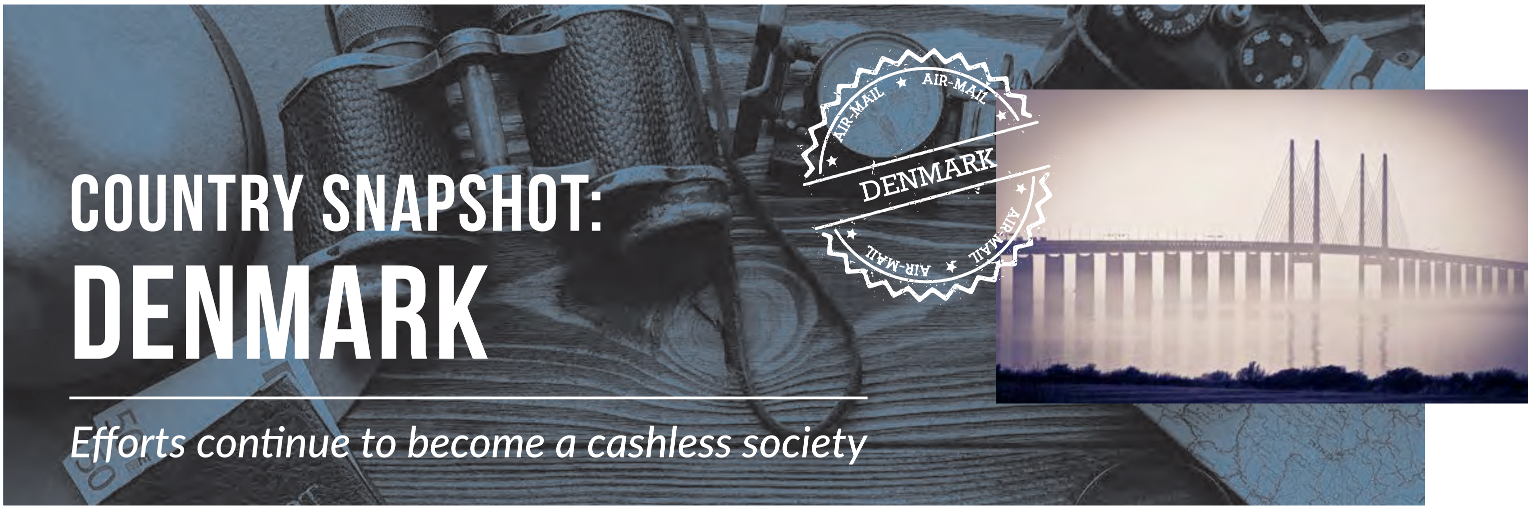
The Ecobank Mobile App, a single, unified application across 33 countries, has positively impacted these African economies by providing access to financial services to millions of consumers.

Xpress Cash provides Ecobank Mobile App users the ability to pay anyone at any time. It enhances the value of the Ecobank Xpress Account, a KYC-lite digital-only account with over 4 million users as it gives them access to cash without the use of a card.

Ecobank Current and Savings Account holders may also enjoy this convenience in cases where they do not have their cards with them, or if they want to send cash to a beneficiary without a financial account

Xpress Cash was very successful immediately it was launched, due to the convenience it offers customers. Within three months of the introduction, Ecobank reported that over 30,000 e-tokens had been generated, worth $1.4 million.

By year-end 2017, the total number of e-tokens generated was around 150,000, worth $6m, indicating very high patronage for a product that was only launched in late August 2017. ■



COUNTRY SNAPSHOT: DENMARK

Efforts continue to become a cashless society

Denmark's cards and payments industry is well developed, and its consumers are prolific users of payment cards. The country has the world's highest frequency of card use, with 210 transactions per card in 2017.

As cash use continues to decline, Denmark is increasing its efforts to become a cashless society, backed by government support for electronic payments. Danish consumers are very comfortable with payment cards and mobile phones, with Dankort the most commonly used card scheme in the country and MobilePay leading the way in peer-to-peer payments.

With preference for mobile proximity and contactless payments gradually growing, there is an opportunity for Danish providers to emphasise their advantages over traditional payment tools.

National debit card scheme Dankort accounted for 76% of the total debit card transaction value in 2017. Dankort operates a zero-interchange-fee model, and has dominated the market since launching in 1983, although Mastercard and Visa are strengthening their presences.

To enable international payments, banks offer Visa-Dankort co-badged cards that can be used as Dankort cards in Denmark and Visa cards outside the country.

E-commerce posted a compound annual growth rate of 17% between 2013 and 2017 to reach DKK115.4bn ($16.33bn) in 2017. According to PostNord's *E-Commerce in the Nordics* report, Denmark has the third-highest percentage of online shoppers in the Nordic region, with 63% of consumers shopping online at least once a month in 2016.

Payment cards and bank transfers remain the preferred payment methods, accounting for 76.3% of the e-commerce transaction value in 2017. Digital and mobile wallets account for nearly 20%.

PAYMENT CARDS BY TYPE (MILLION)

	DEBIT	PAY LATER
2013	6.7	1.8
2016	7.8	1.9
2017e	8.2	1.9
2021f	9.4	2.0

Source: European Central Bank, GlobalData

Contactless payments are growing gradually. The first contactless Dankort card was launched in 2015; by the end of 2016, more than half of all issued Dankort cards had contactless functionality, and contactless payments accounted for more than 15% of all Dankort payments, according to Denmark's central bank.

Danish consumers are not prolific users of pay-later cards. Frequency of use per card per year stood at 33.6 in 2017, while Sweden and Norway recorded rates of 60.7 and 34.1 respectively.

Many Danish consumers hold international credit cards from schemes such as Mastercard or Diners Club, typically as a supplement to a Dankort card, or as a company card.

Danish consumers have become more prudent in their spending due to growing debt, resulting in lower usage of credit cards. Household debt in Denmark was among the highest in the OECD, according to its 2016 *Denmark Economic Survey* report. The ratio of household debt to GDP in Denmark was 127%, with mortgages accounting for the majority. ■

CARD TRANSACTION VALUES BY CHANNEL ($ BILLION)

	ATM	POS
2013	7.9	58.2
2014	7.5	62.0
2015	7.2	68.3
2016	6.9	74.2
2017e	6.7	79.5
2018f	6.5	85.0
2019f	6.4	90.4
2020f	6.3	95.9
2021f	6.2	101.5

Source: Central bank of Denmark, GlobalData

CARD TRANSACTION VOLUMES BY CHANNEL (MILLION)

	ATM	POS
2013	65.4	1,364.2
2014	62.1	1,516.0
2015	59.6	1,706.2
2016	57.4	1,887.6
2017e	55.4	2,055.6
2018f	53.8	2,226.7
2019f	52.4	2,395.2
2020f	51.3	2,562.8
2021f	50.4	2,723.2

Source: Central bank of Denmark, GlobalData

NUMBER OF ATMS AND POS TERMINALS (THOUSAND)

	ATM	POS
2013	2.6	145.0
2014	2.5	139.2
2015	2.5	140.0
2016	2.3	129.3
2017e	2.2	126.6
2018f	2.1	127.9
2019f	2.1	129.7
2020f	2.0	132.0
2021f	2.0	134.7

Source: Central bank of Denmark, GlobalData

COUNTRY SNAPSHOT: POLAND

Card use rising as consumers embrace technology

Poland is one of Europe's most advanced and innovative markets, offering consumers broad access to the latest electronic payments technology. Nevertheless, cash remains very popular, accounting for 61.5% of the total payment transaction volume in 2017.

Card use is rising as consumers embrace new technology, moving from cash to payment cards to contactless. Although cash is very much the dominant means of payment, there was huge growth in the volume of debit card transactions between 2013 and 2017: the number more than doubled, as consumers preferred debt-free payments and avoided unnecessary expenditure. Government initiatives to promote paperless and cashless transactions, and the launch of new mobile POS technology will boost adoption of electronic payments in the country.

The government has been encouraging businesses to open bank accounts for employees, and salaries are now paid into bank accounts. It is also focusing on electronic payments to distribute pensions and retirement benefits.

Poland's growing banked population has also led to rising debit card penetration. According to the World Bank, Poland has made substantial progress in terms of financial inclusion, with the percentage of the population aged 15 or above with a bank account rising from 75.4% in 2013 to 83.1% in 2017.

The high banked population and consumer aversion to debt have made debit cards the preferred card type in Poland. Consumers are gradually switching from cash to debit cards, and used them an average of 117 times for POS transactions in 2017 – almost double the amount for pay-later cards.

A rise in contactless acceptance has supported this trend. A number of banks, including PKO Bank Polski, mBank, Bank Zachodni WBK and Bank Pekao, now offer contactless debit cards.

The growth of pay-later cards was halted at the end of 2010, as non-performing loans rose. The T-Recommendation issued by the Financial Supervisory Commission in Poland took effect in August 2010, restricting consumer access to bank loans and consumer credit; consequently, consumers faced more stringent scrutiny when applying for a credit card.

The new regulation imposed additional requirements on banks to check the creditworthiness of new customers. Issuers also deactivated inactive cards, resulting in a decline in credit card circulation

As a result, banks turned their attention to increasing credit card use. Consequently, reward credit cards have started to gain traction, with Bank Pekao, PKO Bank WBK and ING Bank Śląski offering flexible repayment options, 56-day interest-free credit periods, discounts, reward points and cashback offers. Many also offer facilities to convert large-value purchases into monthly instalments. ■

PAYMENT CARDS BY TYPE (MILLION)

	DEBIT	PAY LATER
2013	26.4	6.4
2016	28.3	6.1
2017e	29.6	6.2
2021f	34.2	6.6

Source: GlobalData

CARD TRANSACTION VALUES BY CHANNEL ($ BILLION)

	ATM	POS
2013	70.2	31.7
2014	71.6	37.3
2015	71.6	43.4
2016	74.1	52.3
2017e	76.6	61.2
2018f	78.6	70.5
2019f	80.2	79.8
2020f	81.5	89.6
2021f	82.4	99.8

Source: GlobalData

CARD TRANSACTION VOLUMES BY CHANNEL (MILLION)

	ATM	POS
2013	777.5	1,443.2
2014	766.6	1,865.2
2015	722.6	2,545.8
2016	717.2	3,188.7
2017e	683.5	3,830.7
2018f	654.7	4,494.1
2019f	630.3	5,158.3
2020f	608.6	5,852.7
2021f	588.4	6,565.5

Source: GlobalData

NUMBER OF ATMS AND POS TERMINALS (THOUSAND)

	ATM	POS
2013	18.9	326.3
2014	20.5	398.2
2015	22.1	465.5
2016	23.4	536.2
2017e	24.6	630.0
2018f	25.5	734.2
2019f	26.2	841.7
2020f	26.6	944.4
2021f	26.9	1,042.0

Source: Central bank of Poland, GlobalData

COUNTRY SNAPSHOT: NETHERLANDS

High internet penetration boosts e-commerce

The Dutch payment cards market is mature, with a high penetration rate of 1.9 cards per inhabitant. The market is dominated by debit cards, which consumers perceive to be secure, cost-effective and consumer-friendly.

Pay-later card payments are not popular due to a cultural aversion to debt. Dutch consumers are very comfortable using debit cards – accounting for 90% of the overall transaction value in 2017 – and online payment channels, especially local brand iDEAL, which is backed by wide acceptance and a convenient user experience.

Growth in the payment cards market is supported by well-developed infrastructure, with one POS terminal per 34 individuals. E-commerce market growth is attributed to high internet and smartphone penetration.

Despite a high level of consumer comfort with established payment instruments, recent developments in mobile proximity payments and contactless technology by ING, Rabobank and ABN Amro will see these payment options gain traction among Dutch consumers.

Debit cards remained the most widely used payment card, accounting for 90% of the total payment card transaction value in 2017. The migration of low-value cash transactions to debit cards was a key trend, and according to the Dutch Payments Association, the number of debit card transactions valued at under €10 ($11) increased by 17.2% in 2016.

Banks and other financial service providers signed the Nadere Overeenkomst II agreement in September 2014 to reduce cash usage by 2018, by converting cash payments to debit transactions.

The Netherlands has recorded an uptake in contactless payments. According to the Dutch Payments Association, the number of contactless payments in 2016 rose by almost five times to reach 630 million, compared to 135 million in 2015.

In December 2016, 24% of all debit card payments were contactless. ABN Amro replaced all its payment cards with contactless functionality in December 2015; similarly, ING Bank and Rabobank are replacing old cards with contactless-enabled payment cards.

iDEAL remains a market leader in Dutch third-party payment services. The company currently serves 10 milllion customers through 100,000 merchants. The service is offered by 10 issuing and seven acquiring banks as well as 59 collecting payment service providers. In total, 283 million payments worth €23.7bn were successfully processed through iDEAL in 2016. The average transaction amount was €81.40.

Pay-later cards accounted for only 9.9% of the total payment cards transaction value in 2017, primarily due to consumer preference for debt-free payments.

Although banks started issuing credit cards in the early 1980s, growth has remained low; for many, overdraft facilities have reduced the need for credit cards. ■

PAYMENT CARDS BY TYPE (MILLION)

	DEBIT	PAY LATER
2013	24.5	5.9
2016	25.7	6.3
2017e	25.9	6.4
2021f	27.1	6.9

Source: Central bank of the Netherlands, GlobalData

CARD TRANSACTION VALUES BY CHANNEL ($ BILLION)

	ATM	POS
2013	54.2	105.3
2014	54.1	111.0
2015	53.5	117.1
2016	53.0	126.0
2017e	52.3	134.7
2018f	51.7	143.6
2019f	51.3	152.4
2020f	51.0	161.1
2021f	50.9	169.6

Source: Central bank of the Netherlands, GlobalData

CARD TRANSACTION VOLUMES BY CHANNEL (MILLION)

	ATM	POS
2013	428.4	2,851.8
2014	413.9	3,135.6
2015	385.4	3,469.0
2016	366.4	3,845.4
2017e	353.5	4,218.4
2018f	342.5	4,615.3
2019f	333.6	5,017.1
2020f	326.7	5,420.1
2021f	321.7	5,812.6

Source: Central bank of the Netherlands, GlobalData

NUMBER OF ATMS AND POS TERMINALS (THOUSAND)

	ATM	POS
2013	8.6	249.2
2014	8.8	398.6
2015	8.3	444.9
2016	8.1	476.8
2017e	7.9	501.6
2018f	7.7	526.2
2019f	7.5	549.8
2020f	7.4	571.9
2021f	7.3	592.9

Source: Central bank of the Netherlands, European Central Bank, GlobalData

HOW BANKS CAN EDUCATE YOUNGER PEOPLE ON CYBERCRIME

When you hear of people falling victim to cybercrime, you may conjure up a slightly stereotypical profile: they might be over 60, living alone and not very tech-savvy – possibly through their own choice. Sounds familiar? Affinion's *Karen Wheeler* cautions that the reality is less straightforward

You may find it surprising to know that young people aged 18-25 in the UK are actually the age bracket who are least aware of cybersecurity risks.

This seemingly impossible statement has come from the government as part of its Cyber Aware campaign, but there is reasoning behind it. The main learning here is that being tech-savvy and being cyber-savvy are not necessarily one and the same; in fact, the former can sometimes be detrimental to the latter.


Karen Wheeler, Affinion

Take passwords, for example. The Cyber Aware campaign research revealed that 52% of 18-25-year-olds are using the same password for multiple online accounts, making it easier for hackers to hijack their entire personal and financial data. This is most likely down to young people having many more online accounts than older generations do and, understandably, it can be difficult to remember a separate password for each individual login.

Theft of bank details in particular is a cybercrime on the rise that is affecting youngsters – so much so that fraud-prevention agency Cifas recently reported a 30% increase in the amount of victims of identity fraud under the age of 21 in 2017, where their bank details can be used for money-laundering purposes.

A common method for fraudsters to target young victims is through social messaging platforms. WhatsApp is leading the charge in terms of putting measures in place to prevent identity fraud on its app. It is currently trialling its peer-to-peer payments system in India, which allows users to securely transfer and receive money with their contacts using a unified payments interface without having to disclose bank details.

With initiatives like this coming into view and the government taking control with its awareness campaign, it is encouraging to see that the issue is being tackled. But what more can banks offer by way of education to their younger customers?

CONTACTLESS SAFETY

A problem that has plagued young consumers in recent years is the rise in contactless fraud, either from bank cards being stolen and used for multiple small purchases by the thief, or by devices scanning the details of bank cards using the contactless technology through the owner's pocket, with the view of selling the details on the dark web.

Recent figures from UK Finance show that contactless fraud has overtaken cheque scams for the first time in the UK, as £5.6m ($7.8m) was stolen in the first half of 2017.

There must be level of responsibility for banks on this issue, given that they issue these cards to customers and the information that accompanies them. Contactless was designed as a straightforward, seamless payment experience, so the advice banks give to customers around safety need not be complicated.

In terms of education, Barclays has led the way thus far by reaching out to communities and families with its Digital Eagles, delivering Staying Safe in Cyberspace workshops. These cover various topics including how to spot phishing scams, advice on downloading software, effective password practice and being more aware of tricks that fraudsters will use to target individuals with the intent of poaching bank details.

As it has now emerged that young adults are a vulnerable group when it comes to cybercrime, banks need to harness similar models to be tailored to their needs and lifestyle habits. Advice on preventing contactless fraud would ideally be a huge part of this. Simple steps such as not keeping contactless cards in trouser pockets or keeping them in a wallet lined with protective material that blocks fraudsters' attempts to download details could prove extremely useful.

Another solution is for banks to encourage the uptake of mobile payment systems like Google Pay. These are more secure against thieves scanning back pockets, as the user's phone must be unlocked for the contactless feature to work.

MoneySuperMarket recently revealed in a report that 23% of Generation Z predict that physical cards will soon become obsolete with the rise of mobile payments, so this could provide a decrease in contactless fraud in the coming years.

In terms of raising awareness to young people of the risks of social media, and more broadly online, there are tools that can help. For example, Affinion works with banks to provide customers with ID theft-detection services that can scan the public and dark web and warn them in advance of possible threats. However, should the worst happen and a person falls victim to an attack, it can also help provide support in resolving the issue too, in the form of an ID theft helpline, legal assistance and a resolution service. Not only does this help customers in a time of need, but it also aids the customer-engagement journey – positioning the provider as an organisation that is supportive when it matters.

It is fair to say that new technologies set up to improve convenience often have their drawbacks when it comes to security. And, as the championing generations of such technologies, young people are often the ones who suffer from these drawbacks. Money scams are a huge part of this, so given their role in safeguarding money, banks must be at the forefront of helping customers to protect themselves. ■

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