



Welcome to the **July** edition of ACT News – Driving Insights. This complimentary service is provided by ACT Canada. Please feel free to forward this to your colleagues.

In This Issue

1. Editorial – a change is as good as a rest
2. As mobile banking in Canada grows, overall customer satisfaction declines
3. MasterCard puts more stock into QR code mobile payments
4. PayPal gets a key boost at the PoS through a wide-ranging deal with Samsung Pay
5. FIS and Cardtronics to expand cardless cash at ATMs across the US
6. Toronto's Dream Payments unveils centre of excellence in Moncton
7. Wearable tech - a growing payment opportunity - latest paper published by Smart Payment Association
8. G+D's Mobile Security eSIM management solution enables DoCoMo to launch world's first eSIM powered android tablet
9. Canadian loyalty programs reach 175 million memberships, 2017 Colloquy Loyalty census shows
10. Swift has 22 global banks join its blockchain proof of concept initiative
11. UnionPay continues to gain share in the worldwide payment card market
12. CPI Card Group creates contactless clubcard for supermarket Tesco
13. The Global Payments Innovation jury report
14. Gemalto offers El Corte Inglés store card holders an easy route to Samsung Pay
15. Flexiti Financial wins bid with major outdoor equipment manufacturers to offer point-of-sale financing to over 800 dealers across Canada
16. Bank of England opens up payments systems to spur fintech
17. MasterCard enhances artificial intelligence capability with the acquisition of Brighterion, Inc.
18. Ingenico Group invests in joinedapp, a California-based start-up, to shape the future of conversational commerce
19. Ethereum co-founder says cryptocurrency market is a 'ticking time-bomb'



- 20. Axis Bank to launch the first smart city project of India with Cardtek Payment Technologies
- 21. Backed by NACHA, a new payments group works toward standardized APIs
- 22. G+D Mobile Security provides dedicated sim solutions for secure connection and management of IoT devices
- 23. Global Payments partners with Caixabank, Samsung, VISA and Arval to establish payment innovation hub in Barcelona
- 24. What is Zelle and why does it matter?

ACT Canada Partners

INGENICO - *Point of Sale Equipment Partner*

Ingenico Group is the global leader in seamless payment, providing smart, trusted and secure payment solutions to empower commerce across all channels, in-store, online and mobile. With the world's largest payment acceptance network, we deliver secure solutions with a local, national and international scope in 125 countries. For over 30 years, we have been the trusted world-class partner for financial institutions and for retailers, ranging in size from small merchants to several of the world's best known global brands. Our smart terminal and mobile solutions enable merchants to simplify payment and deliver their brand promise.

INTERAC - *Payment Network Partner*

Interac Association is a recognized world leader in debit card services. Interac Association is responsible for the development and operations of the Interac network, a national payment network that allows Canadians to access their money through Interac Cash at 60,000 Automated Banking Machines and Interac Debit at 766,000 point-of-sale terminals across Canada. Interac Flash, a secure contactless enhancement of Interac Debit allows Canadians to pay for items instantly with their Interac chip debit card at a reader that supports Interac Flash.

New and Renewing Members

General Member

UnionPay International ~ member since 2015



Career Opportunities

Visit our career opportunities section for the latest opportunities - <http://www.actcda.com/information/careers/>

Looking for good people?

There is a lot of movement in the market, so if you are looking for new employees, we are always aware of some great people. Please contact ACT Canada for more details - postings@actcda.com

Calendar of Events

Money2020 Europe

Jun 26-28, 2017

Copenhagen, Denmark

www.money2020europe.com

ACT Canada members receive discounts

Money2020

Oct 22-25, 2017

Las Vegas, NV, USA

www.money2020.com

IVIE Awards Gala

Nov 8, 2017

Toronto, ON, Canada

Help us celebrate the best in innovation in payments and digital identity!

Nominations now open at www.actcda.com/ivies.html

Articles

1. EDITORIAL - A CHANGE IS AS GOOD AS A REST

Source: Andrea McMullen, President, ACT Canada (07/31)

Payments and identity have experienced several paradigm shifts in the 19 years I've worked at ACT Canada. Technology, business models and partnerships are evolving and so are we. I'm pleased to announce a number of exciting changes that we've been working on this summer. First, as many of you know, Catherine Johnston has retired from ACT Canada after 26 years of tireless service. We'd like to invite you to help celebrate her legacy and her future endeavors. We will be hosting a retirement party on the evening of November 8th, 2017 to wish her the very best and share our memories. For more details, including options for those



who cannot attend in person, please visit www.actcda.com/calendar/industry-events/catherine-johnstons-retirement.html.

Second, our annual IVIE awards are being overhauled based on member feedback. The IVIE Awards Gala originated as an annual event where stakeholders gather to celebrate the best in payment. We have decided to move the awards back to our annual Cardware conference (May 2018) and rebrand the awards. As innovation is the cornerstone of our industry, we will be rebranding the awards as the ACT Canada Innovation Awards. The name change is the result of an extensive redesign effort and will include streamlining the award categories. We will be rolling out further details in the Fall.

Third, the needs of the membership change over time. As such, we are in the midst of developing an extensive membership survey to refine our offerings. From training to Strategic Leadership Teams; the newsletter to working committees; we want your input to strengthen ACT Canada's role in supporting all payment and digital ID stakeholders. This is your Association and we would love your help in shaping the future of it. The membership survey will be launched in September and we're looking forward to your input!

I invite you to join us as we evolve to meet your needs and those of the market. We will be reaching out over the next few months to gather your feedback. As always, we will continue to connect people, enable dialogue and drive insights.

2. AS MOBILE BANKING IN CANADA GROWS, OVERALL CUSTOMER SATISFACTION DECLINES

Source: PYMNTS.com (07/14)

A new study by J.D. Power has found that while more Canadians are utilizing and happy with mobile banking, customer satisfaction with other banking channels and services is on the decline. According to a press release announcing the news, the J.D. Power 2017 Canadian Retail Banking Satisfaction Study, in conjunction with the J.D. Power 2017 Canadian Banking App Satisfaction Study, found that mobile banking usage among customers has nearly doubled over the past three years, with 43 percent of retail bank customers in Canada now using mobile banking. In addition, it is the most satisfying method of interaction among all channels in the study.

But while mobile banking is one of two areas in which customer satisfaction has increased year over year, satisfaction in other areas is on the decline, including website (-1 point); branch (-10); assisted online (-11); call center (-13) and automated phone (-15). And overall retail bank satisfaction declines to 759 points from 763 in 2016.



“Canadian retail banks have been pioneers in their embrace of the mobile channel and their development of mobile apps that really resonate with customers, but success in retail banking today requires a multi-channel approach,” said Bob Neuhaus, financial services consultant at J.D. Power. “The majority of retail bank customers are what we call channel omnivores, meaning they frequent several different touch points with their banks. Banks need to maintain focus on the traditional foundations of the banking experience, while still working to satisfy the increasing demand for digital channel interactions.”

The study also found that overall satisfaction scores are 83 points higher among customers who were greeted at the branch entrance and 63 points higher among those who were addressed by name. However, just 60 percent of customers say they were greeted at the door, and only 47 percent say they were addressed by name. And only 19 percent of customers are aware of personalized ABM preference settings at their bank, despite these features being associated with high overall customer service satisfaction scores. RBC Royal Bank ranks highest in overall customer satisfaction for a second consecutive year among Big Five Banks, achieving a score of 760, while TD Canada Trust came in second with a score of 759. Among midsize banks, Tangerine ranks highest in quality customer service for a sixth consecutive year, with a score of 820, and RBC Royal Bank was highest in overall mobile app satisfaction with a score of 840.

RBC Royal Bank, Tangerine Bank and TD Canada Trust are members of ACT Canada; please visit www.rbc.com, www.tangerine.ca and www.tdcanadatrust.com.

3. MASTERCARD PUTS MORE STOCK INTO QR CODE MOBILE PAYMENTS

Source: Mobile Payments Today (07/20)

MasterCard has outlined plans for greater choice in retail payments through the planned expansion of its QR-based programs, according to a press release. Beginning this month, the company will broaden its products to offer QR codes that can be scanned by either consumers or merchants under a common set of global specifications. MasterCard has worked with EMVCo and other industry players to create a new global QR standard. These standards ensure consistency in QR codes both generated and captured on a consumer's mobile phone, according to the release.

"Today's news builds on the momentum of our QR work in India and Africa," Ajay Bhalla, president of global enterprise risk and security for MasterCard, said in a release. "We look forward to the adoption of the EMVCo global QR standards. In the meantime, we'll continue to work with our customers and partners to make every device a secure way to pay and be paid."

MasterCard is a member of ACT Canada; please visit www.mastercard.ca.

4. PAYPAL GETS A KEY BOOST AT THE POS THROUGH A WIDE-RANGING DEAL WITH SAMSUNG PAY

Source: *Digital Transactions* (07/17)

In a deal that follows months of partnership agreements with other payments companies, PayPal Holdings Inc. on Monday said its PayPal service will become available as a payment method in Samsung Electronics Co. Ltd.'s Samsung Pay wallet. When it goes live, the link is expected to go a long way toward satisfying a long-held ambition at PayPal to have its service widely accepted at physical stores.

Image Credit: Samsung

Samsung's magnetic secure transmission could be key for PayPal. For Samsung Pay, the deal will significantly extend its reach to online merchants by making it accessible through PayPal's Braintree Direct payment service. While it remains unclear exactly when the integration will go live—a blog post by PayPal chief operating officer Bill Ready says “soon,” a word repeated by a PayPal spokesperson in an email responding to questions from Digital Transactions News—it is slated for support on Samsung smart phones including the Galaxy S8 and S8+.

With its Samsung Pay agreement, PayPal has now concluded integration deals with two of the three major third-party mobile wallets, having reached a similar pact with Alphabet Inc.'s Android Pay in April. While there is yet no PayPal-Apple Pay integration, Apple Inc. last week announced it is making PayPal available as a payment method on its digital stores, including iTunes, Apple Store, the App Store, and Apple Music. The Samsung Pay link also represents the latest in a series of partnerships PayPal has struck since last summer with payments firms often considered its competitors. The biggest of these include deals with Visa Inc. and MasterCard Inc. that apparently ended years of rancor between those networks and PayPal by requiring the San Jose, Calif.-based company to stop favoring the automated clearing house over cards for account funding. In return, PayPal gained access to the networks' token engines, a key step for in-store payments.

Now, by riding inside Samsung Pay's wallet, PayPal has taken another leap toward mass acceptance in stores. Like its third-party rivals, Samsung Pay works with near-field communication to link to merchants' terminals. But it also uses a technology it owns, called magnetic secure transmission, to mimic card swipes. This allows the wallet to work not only with EMV/NFC terminals but also with checkout devices that haven't yet been upgraded or replaced. “Samsung Pay is accepted at the vast majority of merchants due to their MST technology, and now PayPal will be as well,” the PayPal spokesperson says. Without being specific, a Samsung Pay press release refers to “millions of merchants” now accepting Samsung Pay.



PayPal's effort to penetrate the physical point of sale date back at least to 2012, without much success to show for it. Now, deals to be included in rival wallets may help the company finally realize that ambition, observers say. "That removes the need for PayPal to become a native payment method at the point of sale, which used to be their strategy, but which they seem to have abandoned in favor of these wrapper deals," notes Aaron McPherson, an independent analyst who follows mobile payments. What Samsung Pay gets in return could be equally crucial. While PayPal refuses to say how many merchants Braintree processes for, it ranks among the larger e-commerce service payment-service providers. Now, through the PayPal deal, Samsung Pay will become an option through Braintree, opening a wide window for the wallet in e-commerce. "With just a few lines of code, merchants will be able to easily integrate Samsung Pay, offering their customers greater flexibility in how they pay," says Samsung in its release.

The Braintree connection shouldn't be underestimated, observers say. "The deal also works for Samsung, as it ... will provide Samsung with a significant extension to its online acceptance. Over time, it could also boost in-store usage of Samsung Pay, but the online acceptance component provides the more immediate benefit," says Rick Oglesby, principal at AZPayments Group, a Mesa, Ariz.-based consultancy.

For its part, PayPal isn't done seeking out partnerships. The company, which last year processed 2 billion mobile payments worth \$102 billion, clearly has an appetite for volume. "We will continue forging new collaborations with leaders across the tech and financial worlds," said Ready in his post.

5. FIS AND CARDTRONICS TO EXPAND CARDLESS CASH AT ATMS ACROSS THE U.S.

Source: Cardtronics (06/29)

FIS and Cardtronics announced plans to integrate FIS Cardless Cash access across Cardtronics' ATM fleet in the United States. FIS Cardless Cash, which leverages the FIS Mobile Banking app, enables banking customers to withdraw funds from ATMs without having to use a plastic card. A planned 24-month rollout of FIS Cardless Cash functionality at Cardtronics ATMs will debut cardless cash access at some of the largest retailers in the United States, as well as enable financial institutions to offer in-network use of cardless cash functionality at both branch and retail ATMs.

"Cardtronics, as the global leader in ATM and surcharge-free solutions for retailers and financial institutions, is uniquely positioned to dramatically expand the use of cardless cash access at ATMs in the United States," said Brad Nolan, EVP and managing director, Global Product and Marketing, Cardtronics. "Enabling cardless cash access at our ATMs is just one more way Cardtronics can help banks transitioning to more digitally focused, self-service strategies."



“FIS Cardless Cash already has created the industry’s largest cardless ecosystem, providing convenience to U.S. customers and a better security model for financial institutions,” said Anthony Jabbour, chief operating officer, Banking & Payments, FIS. “This partnership with Cardtronics exponentially grows that ecosystem, further facilitating customer adoption and increasing the efficiency, convenience and security of ATM transactions.”

“Our goal is to make mobile-centric access to cash a ubiquitous experience,” said Douglas Brown, SVP and GM of FIS Mobile. “This partnership with Cardtronics makes access to Cardless Cash even easier, no matter where users go.”

FIS Cardless Cash protects consumers by reducing risk of card skimming and shoulder surfing. By leveraging FIS Mobile Banking with TouchID, customers can securely access their funds and authorize the amount they want without inserting a plastic card into an ATM. The FIS mobile banking app acts as a remote control for the ATM, providing unrivaled privacy and security for consumers. Customers using FIS Cardless Cash can complete their withdrawals in 10 seconds and get an electronic receipt on their smartphone. An interoperable platform for banks, ATM operators and networks, FIS Cardless Cash provides consumers with access to their money anywhere they want it. Launched in January 2015, the platform is used by more than 30 banks in the United States, and the FIS NYCE network has processed millions of dollars in cardless ATM transactions.

Cardtronics is a member of ACT Canada; please visit www.cardtronics.ca.

6. TORONTO’S DREAM PAYMENTS UNVEILS CENTRE OF EXCELLENCE IN MONCTON

Source: Dream Payments (07/12)

Dream Payments proudly announces the opening of its first Centre of Excellence in Moncton, New Brunswick. The company’s first Canadian office outside of Toronto is ramping up to support Dream’s rapid growth in both the Canadian and US market. It will house the majority of Dream’s technical team, including existing senior employees who have immigrated to Canada from offices in Russia and Vietnam. Frank McKenna, Deputy Chairman of TD Bank and former Premier of New Brunswick, will cut the ribbon at the official ceremony. Other distinguished guests confirmed to attend include Moncton Mayor Dawn Arnold, representatives of New Brunswick’s economic development corporation Opportunities NB (ONB) and Dream Payments CEO Brent Ho-Young.

“Transitioning our offshore teams to Canada was a very sensitive undertaking. We evaluated many locations across the country and we’re thrilled to have found a home for our new Centre of Excellence in Moncton,” said Brent Ho-Young. “Dream has worked closely with ONB over the last eight months to make



this happen and we couldn't be more pleased. The province has done a fantastic job in establishing a vibrant tech community and nurturing innovative, like-minded companies. We know that Moncton is the right place for us to invest, grow and succeed.”

Dream Payments provides businesses of all types and sizes with unique mobile point-of-sale (POS) solutions through its secure payments cloud and device management platform. Dream is the world's only mobile platform that enables Interac® Debit and Chip and PIN credit card payment terminals to be sold off-the-shelf. The company's unique technology is also used by financial institutions and acquirers including Chase Paymentech to deliver user-friendly mobile payment solutions to their business customers.

“We are delighted to welcome Dream Payments to New Brunswick,” said Stephen Lund, CEO of Opportunities NB. “Dream Payments is the first fintech company attracted to New Brunswick by ONB. We know the company's unique and innovative technology will add to the already robust financial services sector. These high skilled jobs will create more high-quality employment opportunities in this burgeoning technology sector. Opportunities NB is a Crown corporation that seeks to attract and support opportunities to grow the economy and create jobs. It provides support services for businesses across the province.

Dream Payments Corporation, Chase Paymentech & TD Bank are members of ACT Canada; please visit www.dreampayments.com, www.chasepaymentech.ca and www.td.com.

7. WEARABLE TECH - A GROWING PAYMENT OPPORTUNITY - LATEST PAPER PUBLISHED BY SMART PAYMENT ASSOCIATION

Source: Smart Payment Association (07/24)

The Smart Payment Association (SPA), the trade body of the smart payments industry, launched its latest insight paper exploring the potential of payment in driving the global wearable tech market. Payment ‘on the go’ looks like being the transformational application that captures the public imagination and drives the mass take-up of wearable technologies. According to Gartner, half the consumers in major markets – including North America, Japan and Western Europe – will be using a combination of smartphones and wearables to make payments by 2018.

This new paper from SPA explores the wearable payment technology options already on the market and looks forward to what's on the horizon for the coming years. Scoping out the use cases and opportunities that lie ahead, it also outlines the challenges and hurdles that will need to be overcome if the mass take up of wearable payment technologies is to succeed. This includes implementing



processes to ensure that the personal and biometric data digitally held in multi-functional wearable devices can be revoked the instant these are lost or stolen.

“The fast-paced evolution of wearable payment represents an unprecedented opportunity for the payment industry,” says Sylvie Gibert, President, SPA. “Consumers are hungry for convenient ‘frictionless’ payment solutions that can be combined with a variety of other lifestyle enhancing apps to make everyday life simpler. And making this happen will open the door to the next secure payment challenge – embedding secure payment authentication into connected IoT devices.”

Download paper at: <http://www.smartpaymentassociation.com/publications-smart-payment-association/white-papers-smart-payment-association/entry/wearable-tech-a-growing-payment-opportunity-july-2017>

8. G+D'S MOBILE SECURITY ESIM MANAGEMENT SOLUTION ENABLES DOCOMO TO LAUNCH WORLD'S FIRST ESIM POWERED ANDROID TABLET

Source: Giesecke+Devrient (06/28)

G+D Mobile Security provides NTT DOCOMO, INC., Japan's leading mobile network operator, with its eSIM management solution, enabling the launch of the world's first Android tablet with an embedded SIM (eSIM) for consumers. This Android tablet is the first mass-market product worldwide which allows customers to benefit from the GSMA eSIM management technology. An eSIM enabled device makes the handling at the Point-of-Sale (PoS) smooth, fast and easy. Subscribers will be freed from having to insert conventional SIM cards into their devices, thereby enhancing the overall user experience. G+D Mobile Security's eSIM management platform AirOn, a GSMA RSP (Remote SIM Provisioning) phase 2 compliant solution, is connected to DOCOMO's backend system.

“This launch is a very important step forward for G+D Mobile Security and the entire telecommunications industry,” stated Carsten Ahrens, CEO of G+D Mobile Security. “It proves that our investment in eSIM management technology is going to bear fruit for consumers since they are now able to benefit from this user-friendly technology.” The RSP-compatible SIM card is already integrated into the tablet device during manufacturing. When purchasing the tablet at a DOCOMO retail store, it can be immediately linked to the customer in the DOCOMO backend by scanning a barcode on the outside of the device package. All the customer has to do is to switch on the tablet and follow a few installation steps, to be online and connected in a short amount of time. In the background, G+D Mobile Security's AirOn service will automatically load DOCOMO's eSIM profile onto the SIM.

G+D Mobile Security's eSIM platform is based on the second version of the GSMA RSP specification, addressing the specific needs of consumer devices:

Users of consumer devices want to decide which profiles should be available and easily activated. An integrated user interface processes end user requests and initiates the eSIM profile download. G+D Mobile Security provides device vendors with the required software and thus helps reduce time to market for eSIM enabled devices.

Giesecke+Devrient is a member of ACT Canada, please visit www.gi-de.com.

9. CANADIAN LOYALTY PROGRAMS REACH 175 MILLION MEMBERSHIPS, 2017 COLLOQUY LOYALTY CENSUS SHOWS

Source: LoyaltyOne (06/29)

Biennial report on loyalty marketing reveals 35% increase in program memberships nationwide. Canadian consumers hold 175 million memberships in customer loyalty programs, according to the 2017 COLLOQUY Loyalty Census, featuring for the first time COLLOQUY's traditional audit coupled with consumer survey research. COLLOQUY's biennial report continues to show an uptick in consumer membership as was reported in 2015. The 35% rise in memberships in 2017 represents a double-digit increase over the 8% growth reported in COLLOQUY's last Census in 2015, when overall Canadian membership totaled 130 million.

For the second consecutive study, membership numbers improved in every economic sector covered in the Census. Similar to the U.S. market, memberships in retail make up the majority of loyalty memberships, with 51% of the total. The Census shows that memberships in the other loyalty sectors are as follows: 19% in financial services, 14% in travel/other and 16% in coalition.

"The membership increase signals that Canadians still find loyalty programs fun and rewarding. Successful programs today are bridging the gap between loyalty and great customer experience," said Melissa Freund, LoyaltyOne Global Solutions partner and COLLOQUY Census author. "Retailers can't afford to become complacent. To sustain success, they still need to create more personalized and relevant experiences for their best customers." The survey data shows the loyalty landscape is a lot to handle for many Canadians, with 32% reporting they feel overwhelmed by the number of loyalty programs available, versus 27% of the American respondents who said the same.

In other 2017 Census highlights:

Coalition programs witnessed the highest growth at 78%, spurred by SCENE and other new coalition programs coming into the market. Additionally, MORE Rewards added a large national partnership in 2016, Petro Points, and partnered with Scotiabank Visa, now qualifying MORE Rewards as a coalition program. The coalition market is not only expanding but also diversifying into



providing more types of rewards and experiences to consumers. Compared with Americans, Canadians are more skeptical of loyalty marketing with 46% saying loyalty programs are nothing more than marketing schemes, compared to 32% of Americans who responded the same.

The insights uncovered in the 2017 COLLOQUY Loyalty Census can help brands and companies create deeper loyalty and better experiences for consumers. To continue the discussion, COLLOQUY will host a webinar Wednesday, August 16th with advice on turning the results into meaningful change. Registration information will be available on COLLOQUY.com starting July 19.

LoyaltyOne is a member of ACT Canada, visit www.loyalty.com.

10. SWIFT HAS 22 GLOBAL BANKS JOIN ITS BLOCKCHAIN PROOF OF CONCEPT INITIATIVE

Source: PYMNTS.com (07/25)

SWIFT has announced news that 22 global banks recently joined its blockchain proof of concept (PoC) initiative, which is part of the company's global payments innovation (gpi) service aimed to "re-arm the correspondent banking system for a new age of technological disruption." The PoC initiative was launched in January 2017 with six founding banks: ANZ, BNP Paribas, BNY Mellon, RBC Royal Bank and Wells Fargo. According to Finextra, it was designed to find out whether blockchain can be used by banks to improve the reconciliation of their international nostro accounts in real time. Currently, banks cannot monitor their account positions in real time due to lack of intraday reporting coverage.

"Cross-border payments are like a black box for us," said Martin Schlageter, head of treasury operations at Swiss healthcare conglomerate Roche. "We don't know when the funds will be credited, we don't know what fees will be charged and we also have problems with reconciliation." SWIFT gpi delivers an improvement in the speed of cross-border transaction, as well as boosts overall customer experience by giving predictable settlement times and clear statuses. Key features of the service include a secure tracking database in the cloud, accessible via APIs and enhanced business rules.

"The ability to deliver enhanced remittance information alongside the payment will help customers make better decisions along the payment chain, while also creating better efficiency opportunities," said Tom Halpin, global head of Payments Product Management, HSBC Global Liquidity and Cash Management. "The decision to make gpi available in the 'cloud' is also exciting, and we anticipate this will lead to the development of entirely new services that combine SWIFT gpi with capabilities provided by banks, clients and vendors."



Membership is open to any supervised financial institution that agrees to comply with SWIFT's business rules, but non-bank organizations can also join the initiative. The company expects additional banks to join in the coming months, with the goal of all countries live by the end of 2017.

11. UNIONPAY CONTINUES TO GAIN SHARE IN THE WORLDWIDE PAYMENT CARD MARKET

Source: Digital Transactions (07/17)

Just over 6 billion payment cards now bear the UnionPay logo, and in 2016 the Chinese network accounted for 43% of all general-purpose credit and debit cards in the world, up from 41% in 2015, according to new findings from London-based Retail Banking Research. RBR estimates the worldwide payment card market hit 14 billion last year, an 8% increase from 2015. Most of the growth was in Asia, RBR reports. Reflecting the continuing growth of China's economy, UnionPay saw its card count increase 13% in 2016 from 5.3 billion in 2015, according to RBR data. In that year, UnionPay's card numbers grew 10% from 4.8 billion in 2014.

Visa, including its Interlink, Electron, and V Pay brands, saw its global market share slip slightly to 21% last year from 22% in 2015. In all, Visa had about 3 billion cards in circulation as of last Dec. 31. MasterCard, including its Maestro and MasterCard Electronic brands, also saw a percentage-point drop in share to 16% in 2016. Approximately 2.3 billion cards display MasterCard brands. Together, UnionPay, Visa, and MasterCard account for about 80% of credit and debit cards, with American Express, JCB, Discover, and domestic-only cards taking the remaining 20%. RBR calculates the worldwide market shares of AmEx and Japan-based JCB at 1% last year, unchanged from 2015. Also unchanged were the estimated market shares of Discover and the Discover-owned Diners Club International network at 0.4% and 0.1%, respectively.

Despite its massive size, the UnionPay network is mostly a domestic one, with only 1% of its cards issued outside of China, according to RBR. The network eventually will face more competition, assuming Chinese regulators clear the way for Visa and MasterCard to operate in the country. "UnionPay may struggle to maintain its high global share once the international schemes obtain domestic licenses to operate in China," RBR associate Daniel Dawson said in a statement. "It will increasingly look to expand its business abroad to counteract competition in its home market."

UnionPay and MasterCard are members of ACT Canada; please visit www.unionpay.com and www.mastercard.ca.



12. CPI CARD GROUP CREATES CONTACTLESS CLUBCARD FOR SUPERMARKET TESCO

Source: CPI Card Group (07/19)

CPI Card Group and long-standing partner supermarket Tesco, have worked in collaboration to relaunch the Tesco Clubcard across the UK. As part of CPI Card Group's innovative approach to card technology it worked to configure and create a state-of-the-art, contactless loyalty card for Tesco that will redefine the loyalty market and revolutionize the way the consumer interacts, with a tap or hover at the till points. Scott Maxted, Operations Director of CPI Card Group – UK, Ltd., comments, "CPI has invested significantly in market leading capabilities to increase capacity and innovate our markets, including a unique high-speed personalization platform that encodes RFID and magnetic stripe while offering dual DOD inkjet personalization to both faces of the card, in one pass."

Nick Cahn, Managing Director of CPI Card Group – UK, Ltd., said, "We are proud to have delivered such an innovative product for Tesco. The new RFID loyalty Clubcard will help Tesco make further enhancements to what is already a fantastic reward program. The hardwork and dedication of our team, who personalized more than a million card and fob packs per week to bring this complex project to fruition ahead of schedule, is what makes CPI the market leader in the loyalty and gift card sectors." Simon Pepperdine, Tesco Clubcard Project Manager, said, "Tesco Clubcard is one of the most uniquely helpful things we do and it's our way of saying thank you to our customers for shopping with us. We've listened to customers and we're delighted to have made Clubcard even simpler and easier to use by working in partnership with CPI Card Group to introduce a brand new contactless card."

CPI Card Group is a member of ACT Canada; please visit www.cpicardgroup.com.

13. THE GLOBAL PAYMENTS INNOVATION JURY REPORT

Source: Payments Cards and Mobile (07/03)

The Global Payments Innovation Jury report for 2017 exists because 70 senior industry executives were prepared to give their time to thinking through and setting out their views on many complex issues determining how payments innovation happens. The 70 jurors come from 37 countries across 6 continents which is the highest participation ever; all the jurors are involved at a senior level with highly successful businesses ranging from payment service providers, card schemes, processors, merchant acquirers, technology providers to mobile money operators.

Which has the best profit potential "Payments continues to experience continuous innovation worldwide, with established players trying to defend and grow their existing business and new market entrants aiming to grab a share of the

market for themselves,” says John Chaplin Chairman, Global Payments Innovation Jury.

“Although operating margins are under pressure, the payments sector remains attractive because the market continues to expand and there is opportunity to secure a share of gross transaction value for many players. But the essential currency for payments now seems to be innovation, with the vast majority of players subscribing to the ‘innovate or die’ philosophy. It is often impossible to get a clear and consistent view of how payments are evolving worldwide. The Global Payments Innovation Jury has provided a consistent view on this evolution every two years since 2008 when innovation was much less of a hot topic. The 2017 Jury, comprising 70 successful payments executives from 37 countries, has looked at many aspects of the worldwide industry and given its considered views on how innovation is occurring and bringing about change.”

The top findings of the Jury:

- Asia is the clear leader in payments innovation. This goes beyond a ‘China effect’, with many other countries in the region modernising their payments infrastructures and creating environments supportive of innovation. Europe has finally moved away from the bottom of the league table, largely based on the new regulatory environment but the Jury reserves judgement on whether the hoped-for changes will materialise.
- For venture capital backed companies, there is a shortage of growth stage finance globally mainly because the road to profitability in payments is more difficult than most business plans assume. Despite the growth capital shortage, direct investment by banks in payments companies is not seen by the Jury as a popular strategy. For companies that achieve profitability and growth, there is no shortage of private equity finance to fund an exit as well as IPO for the real stars.
- In developed markets, investment in B2B payments is generally preferred over B2C because of the major marketing investment required to build a substantial consumer user base and the difficulty in convincing users to pay for services in markets used to ‘free of charge’. However, in developing markets, the sheer size of the underbanked market still makes B2C and P2P investments more attractive.
- The Jury sees two main reasons why payments startups don’t succeed. ‘Fail to scale’ is a major issue with many business models not being adaptable to higher volumes. And many new market entrants don’t offer any significant advance on what is already available, instead offering ‘solutions in search of a problem’.
- Partnering between established firms, especially financial institutions and startups, is happening more often in all regions and is increasingly seen as a win-win. The jurors who have experience of creating such partnerships believe that the time and effort required is widely underestimated.
- At a time of great excitement about AI unlocking the power of data, this is still seen as an area of missed opportunity for the payments industry with

lack of an overall data strategy being reported as the major reason for most firms missing the target.

- In terms of the disruption from new business models, the Jury sees traditional cross-border remittance providers at most risk, followed by established payment service providers for online commerce.
- With most payment regulators and central banks actively supporting an innovation agenda, it is disappointing that the Jury believes innovation is more likely to be impeded rather than encouraged, suggesting that regulators need to rethink their approach in some markets.
- The Jury see Open APIs as important enablers of innovation especially in a world of in-app payments and, in the future, transactions from Internet of Things devices. However, the Jury does not see this as risk-free and has concerns about who gets blamed by the consumers when things inevitably go wrong. The Jury makes the point that APIs are a business strategy that require proper management and not just a technology.
- Mobile technology offering the greatest potential
- As mobile technology becomes central to financial services and payments capability, the Jury believes
- Future prospects for mobile wallets in developed markets that in developed economies, bank wallets and single merchant wallets are generally not going to do well. In developing economies, the Jury sees the top priority as interoperability between MNO provided wallets and the banking sector to avoid network duplication which raises costs for consumers and merchants.
- The current large investments in real-time ACH systems can become a significant factor in more credit-push transactions from mobile but the Jury believes that unless the user experience is slick and there is an effective mechanism for preventing and disputing fraudulent transactions, predictions of a major loss of market share for the card model are overdone.
- Previous juries have had a good track record in detecting hype. This time, the Jury has selected distributed ledger technology for the award, not because jurors don't see the real potential for the technology but because the extent of the claims being made by its advocates seem to be too extreme.

14. GEMALTO OFFERS EL CORTE INGLÉS STORE CARD HOLDERS AN EASY ROUTE TO SAMSUNG PAY

Source: Gemalto (07/21)

Gemalto is enabling El Corte Inglés, Spain's biggest department store, to offer customers the opportunity to easily complement their existing store payment card with the popular Samsung Pay mobile wallet. Gemalto's Trusted Service Hub (TSH) ensures a swift and secure transition to the mobile payment service for El Corte Inglés card holders. The pioneering move makes Financiera El Corte Inglés



the first private label card provider in Spain to adopt Samsung Pay. The payment solution is based on PURE, a white label payment application which brings EMV technology to private label cards, reinforcing the Spanish retailer complete autonomy with its payment eco-system.

Companion digitized cards can be created in an instant

Over 11 million consumers currently hold an El Corte Inglés payment card. For these shoppers, creating a digital card on Samsung Pay will involve nothing more than a simple online enrolment powered by the Gemalto TSH platform. Gemalto's TSH provides the entire digitalization and tokenization process. In simple terms, El Corte Inglés card holders can opt to replace the physical card's credential with a substitute digital value known as a token. Only the token's data is stored on the phone, ensuring that the real card credentials are protected from fraudsters and misuse. As for customers, they benefit from the convenience brought by the digital card to pay for goods and services and can authenticate transactions instantly and securely using biometrics.

Gemalto is a member of ACT Canada; please visit www.gemalto.com.

15. FLEXITI FINANCIAL WINS BID WITH MAJOR OUTDOOR EQUIPMENT MANUFACTURERS TO OFFER POINT-OF-SALE FINANCING TO OVER 800 DEALERS ACROSS CANADA

Source: Flexiti Financial (06/28)

Flexiti Financial announced that it has won a competitive bid to be the preferred POS financing partner in Canada for the dealers of outdoor maintenance and equipment manufacturers including Husqvarna, Briggs & Stratton, Ariens, Big Dog Mowers, Hustler, ECHO Power Equipment and ECHO Bear Cat. Flexiti Financial now has access to over 800 dealers that sell lawn and garden tools and outdoor power equipment.

“With a large dealer network across Canada, it was critical that we partner with a financing company that can be flexible and nimble to meet our needs, while offering an easy-to-use service for dealers that can quickly scale across multiple locations,” said Jeff Ness, Director of Credit at Ariens. “Flexiti Financial’s POS financing platform and client-first approach meet these needs, and we are thrilled to partner with them to help our private dealers offer sales financing to their customers.”

Dealers will now have access to Flexiti Financial’s award-winning POS financing platform, which will allow them to provide instant financing on any device, anywhere, and instant credit approval in three minutes. Flexiti Financial’s unique technology, advanced algorithm and customer service allows dealers to offer customized payment plans at interest rates significantly below current credit



options on the market, and confidently approve more people than a typical financial institution.

“Flexiti Financial is proud to be selected as the financing partner for such a diverse and respected group of manufactures and dealers,” said Peter Kalen, Founder and CEO of Flexiti Financial. “We look forward to working with these dealers across Canada to help them experience the power an effective POS financing platform can have on generating sales and improving the customer experience.”

Flexiti Financial is a member of ACT Canada; please visit www.flexitifinancial.com.

16. BANK OF ENGLAND OPENS UP PAYMENTS SYSTEMS TO SPUR FINTECH

Source: Reuters (07/19)

The Bank of England has widened access to Britain's interbank payments system to increase competition from new fintech firms in the financial system, where the "Big Four" high street banks have long dominated. The BoE flagged the plans in May and on Wednesday published a detailed framework to make this happen as more and more people use their phone to pay a bill or shuffle money between countries. It allows new payments firms like those offering prepaid cash cards and prepaid online and mobile accounts, to have access to its "real time gross settlement" or RTGS payments system. Remittance firms, which allow people to send money overseas, and foreign exchange services are also included.

"This should support financial stability through greater diversity and risk-reducing payment technologies," BoE Governor Mark Carney said in a statement. The changes, which in practice will come into effect in 2018 once legislative changes have been completed, will enable such non-bank payments services providers (PSPs) to compete better with banks, the BoE said. Currently, PSPs negotiate the use payments systems such as CHAPS, owned by big banks like HSBC, Barclays, Lloyds and RBS.

Reduced dependence on bank competitors for access to payment systems will allow the non-bank providers to offer a wider range of payments services, the BoE said. Updated European Union payments rules will also make it easier for PSPs from January next year to compete with banks, such as by accessing data of account holders. Over 50 banks and building societies in have settlement accounts with the BoE's RTGS system. There are around 450 non-bank payments services providers (PSPs) authorized by the Financial Conduct Authority, many drawn from the growing "fintech" or financial technology sector.

Britain is seeking to maintain its competitive edge in nurturing fintech firms, seen as a new source of jobs and growth. It has also set up a new payments



systems regulator to prise open the sector to new entrants. A PSP will have to show it can comply with the BoE's new framework for managing risks before it can join the payments system. It will have to demonstrate the customer money will be safe, and that all anti-money laundering checks are in place.

17. MASTERCARD ENHANCES ARTIFICIAL INTELLIGENCE CAPABILITY WITH THE ACQUISITION OF BRIGHTERION, INC.

Source: MasterCard (07/17)

MasterCard announced it has entered into an agreement to acquire Brighterion, Inc., a leading software company specializing in artificial intelligence. This acquisition will further expand its suite of capabilities that deliver an enhanced customer experience and security. Artificial intelligence plays a critical role in enabling consumer convenience, while delivering enhanced security. This advanced technology delivers greater insights from every transaction to assist in making even more accurate fraud decisions.

“To fully realize the promise of our increasingly digital lives, we need to design our payment systems with the future in mind and that’s what we’re doing,” said Ajay Bhalla, president of enterprise risk and security for MasterCard. “Our unprecedented use of artificial intelligence on our network is already proving successful. With the acquisition of Brighterion, we will further extend our capabilities to support the consumer experience.” Brighterion’s unique Smart Agent technology will be added to MasterCard’s advanced suite of security products already using artificial intelligence. The resulting insights and capabilities from the combined team will deliver even greater accuracy and a new element in managing risk and protecting the consumer.

“It all comes down to intelligent decisioning at the time of the transaction,” said Dr. Akli Adjaoute, founder and CEO of Brighterion. “We’ve worked with MasterCard over the years to identify patterns and trends to power their most advanced customers’ authorization and decisioning activities. We look forward to building on that foundation and providing an industry-leading, holistic and seamless security experience.”

MasterCard is a member of ACT Canada; please visit www.mastercard.ca.

18. INGENICO GROUP INVESTS IN JOINEDAPP, A CALIFORNIA-BASED START-UP, TO SHAPE THE FUTURE OF CONVERSATIONAL COMMERCE

Source: Ingenico (06/28)

Ingenico Group announced its investment in Joinedapp, a start-up located in Palo Alto, California whose enterprise e-commerce solutions enable brands and retailers to connect with customers on their preferred mobile messaging apps.



Joinedapp's chatbot technology offers large and SMB merchants a scalable solution to engage, nurture, and monetize audiences across social messaging. With more than 3 billion users, messaging apps have surpassed social networks as the dominant mobile platforms. As e-mail and social media marketing channels have matured, chatbots are considered to be the next frontier in e-commerce sales and distribution. While chatbots have thus far been limited to certain customer services use cases, Joinedapp's enhanced AI enables an end-to-end frictionless e-commerce solution known as conversational commerce – consumers engage, browse, and pay – all within a messaging app. Many of the world's largest retailers are prioritizing the use of chatbots in their e-commerce strategies to drive growth.

"Conversational commerce is part of the innovation strategy of Ingenico Group for the coming years." said Michel Léger, EVP Innovation at Ingenico Group. "By embedding payments directly into bots, merchants remove conversion-killing steps from the purchase process and enable a seamless consumer experience. We are also convinced that Joinedapp's channel-agnostic platform is a key market differentiator with a very high potential for merchants."

When Ingenico Group and Joinedapp first met a few months ago, both were investigating the application of artificial intelligence technologies to increase sales conversion. Recognizing that a seamless checkout experience within messaging platforms could drive higher conversion rates and incremental sales, the two quickly entered a partnership to develop a fully integrated payment solution. Embedded into messaging bots, this solution leverages Ingenico ePayments Connect technology and its full portfolio of international and alternative payment methods. It removes the need for the consumer to leave the messaging app to complete a purchase. Furthermore, as it is compliant with all major messaging apps – including Facebook Messenger, Line, Telegram, Kik, Skype, Slack and WeChat, this solution allows merchants to create their messaging bot user experience once and deploy it across all networks.

Arash Hassibi, CEO & Founder of Joinedapp, noted: "We're empowering many of the world's largest retailers and brands to connect, engage, and convert customers across the world's most popular messaging platforms. Ingenico Group's partnership will allow us to strengthen our unique value proposition and develop new use cases across more verticals." By leading the Seed funding round of Joinedapp and therefore supporting its capacity for growth, Ingenico intends to deepen their partnership as well as accelerate research and joint projects.

Ingenico Canada, Ltd. is a member of ACT Canada; please visit www.ingenico.com.

19. ETHEREUM CO-FOUNDER SAYS CRYPTOCURRENCY MARKET IS A 'TICKING TIME-BOMB'

Source: *Bloomberg News* (07/18)

Initial coin offerings, a means of crowdfunding for blockchain-technology companies, has caught so much attention that even the co-founder of the ethereum network, where many of these digital coins are built, says it's time for things to cool down in a big way.

"People say ICOs are great for ethereum because, look at the price, but it's a ticking time-bomb," Charles Hoskinson, who helped develop ethereum, said in an interview. "There's an over-tokenization of things as companies are issuing tokens when the same tasks can be achieved with existing blockchains. People are blinded by fast and easy money." Firms have raised \$1.3-billion this year in digital coin sales, surpassing venture capital funding of blockchain companies and up more than six-fold from the total raised last year, according to Autonomous Research. Ether, the digital currency linked to the ethereum blockchain, surged from around \$8 after its ICO at the start of the year to just under \$400 last month. It's since dropped by about 50 per cent.

Hoskinson, who runs technology research firm IOHK, is part of a growing chorus of blockchain watchers voicing concern about the rapid surge in cryptocurrency prices and digital coin crowd sales that have collected millions of dollars in minutes. Regulation is the biggest risk to the sector, as it's likely that the U.S. Securities and Exchange Commission, which has remained on the sidelines, will step in to say that digital coins are securities, he said. Startups raising money through ICOs usually skip the safeguards required in traditional securities sales, like making sure they're dealing with accredited investors and verifying the source of funds. That could lead to lawsuits in the future, as digital coin buyers can sue the issuer claiming they didn't know the risks of buying those assets, Hoskinson said.

Hoskinson joined the ethereum founding team in late 2013 and left in June 2014 as he advocated for a for-profit entity while others in the team led by Vitalik Buterin wanted to keep it as not-for-profit. Ripple chief executive officer Brad Garlinghouse had a similar view regarding regulatory risks. Teams listing companies offshore and selling their coins to investors outside the U.S. are naïve to think there are no investor protection laws elsewhere, and also expects that the SEC will eventually say cryptocurrencies are securities, he said in an interview last week. Ripple is a money-transfer company based on the blockchain technology, that's tied to the third-largest cryptocurrency by market value.

"ICOs operating in the Wild West of finance isn't sustainable," Garlinghouse said. "If it talks like a duck and walks like a duck, the SEC will say it's a duck." Besides the growing concern about an ICO bubble and regulatory concerns, ether trading outages stemming from the jump in transactions, companies cashing in on the money raised in crowdsales, yesterday's \$7-million CoinDash hack and even

false rumors that Buterin had died, have all contributed to the tumble in the price of ether. Concern about bitcoin potentially splitting in two is also sending jitters throughout the crypto world.

Still, like Ripple's Garlinghouse, Hoskinson thinks once the currency ICO bubble deflates, cryptocurrencies will continue to be an avenue for companies to raise money, but it will be done in a regulated and more constrained environment. "Regardless of regulation ICOs are here to stay," he said. "After it collapses they're going to pick up the pieces and say how do we do things differently."

20. AXIS BANK TO LAUNCH THE FIRST SMART CITY PROJECT OF INDIA WITH CARDTEK PAYMENT TECHNOLOGIES

Source: Cardtek (07/07)

Cardtek announced that it has supported Axis Bank to launch a national payment system for public transportation in India. The new payment solution will fully integrate the banking systems and it is RuPay certified, the national smart card based payment standard in India, providing a secure payment platform that offers residents the ability to easily pay for goods and services - including public transportation - using just one smart prepaid card. The payment solution "Axis Bank RuPay Contactless Transportation Card", is initially rolled out in Bangalore, the second most populated city and then recently in Kochi, one of touristic cities of India. The opening "Smart City Technologies" ceremony is held in Kochi with the participation of Narendra Modi, Honourable Minister of India, and in Bangalore with Shri Ramalinga Reddy, Honourable Minister of Transport, Government of Karnataka.

"It is a great honour that our payment technologies and team has been chosen for this massive public initiative," said Ayse Nil Sarigollu, the Executive Chairwoman of Cardtek. "India is known for its innovation and advanced technology and this project will now allow residents to make all their public transactions easily, quickly and safely via a single card."

Cardtek USA is a member of ACT Canada; please visit www.cardtek.com.

21. BACKED BY NACHA, A NEW PAYMENTS GROUP WORKS TOWARD STANDARDIZED APIS

Source: Digital Transactions (07/05)

There's nothing new about application programming interfaces. The code has been around for years, streamlining payments flows between otherwise unrelated apps. Recently, APIs have made possible the seamless integrations that mobile-payments users now take for granted. But now a group of payments executives are starting to worry that proprietary API specifications could hobble



innovation by raising costs and slowing development. “If there are five different organizations, there are five different APIs I have to code to,” says George Throckmorton, a senior director at NACHA, the Herndon, Va.-based governing body for the automated clearing house network. Higher costs could also hamstring smaller organizations that don’t have the programming resources of large banks and payments companies, Throckmorton adds. “It makes it difficult to have a level playing field,” he says. “We’re not having huge costs today, but the writing is on the wall that this is going to be an issue.”

So in April, NACHA formed the API Standardization Industry Group. The group, which is sponsored by an older NACHA industry group called the Payment Industry Alliance, held its first meeting in May and expects to hold two more this year, one in August in Atlanta and another in October in New York City. The group has grown to include about 100 executives from financial institutions, technology firms, and payments providers. They are working out not only standards, but also governance issues and matters related to security and legal issues. The end product is expected to be what NACHA calls a “playbook” that will include not only consistent API standards but also a so-called API library with what NACHA calls “use cases and corresponding APIs.”

Throckmorton says the group will reveal in September which APIs it’s focusing on first. It’s using a scoring tool to figure out which ones these should be. “The ones that score higher we’ll work on first,” Throckmorton notes, adding, “One of the first ones will be around fraud and security.” For now, he says the group isn’t concerned with specific types of payment. Instead, it’s looking at three general areas: fraud and risk; payment access; and payment exchange. As an example of the last area, he cites a problem that has long plagued person-to-person payment systems—how to allow a sender using one network to transfer money directly to a receiver using a completely different network.

“The answer has been to make the receiver join my network,” he says. Instead, standard, open APIs could enable payments to flow network to network just as they now flow from institution to institution within a network, such as in the fledgling Zelle person-to-person payment system launched earlier this year by major U.S. banks. The first parts of the playbook should start appearing early next year, Throckmorton says. The API Standards Industry Group’s efforts may well help hold down costs and encourage adoption, but some observers say much depends on the strategies of individual banks. “Standards are clearly one method to facilitate collaboration, so for those areas that banks decide to collaborate, having standards will be valued,” says Nancy Atkinson, principal and founder of Pittsburgh-based GTB Consulting, in an email message. “For those on which they want to compete, standards will be less valued.”

Still, she says both the payments industry and NACHA could benefit by the organization’s decision to stake out an early leadership position on the issue of open payments APIs. “They are assertive in identifying industry needs. They

should be congratulated for that positioning. By taking an early lead, they can likely cement their role in this regard," she says.

22. G+D MOBILE SECURITY PROVIDES DEDICATED SIM SOLUTIONS FOR SECURE CONNECTION AND MANAGEMENT OF IOT DEVICES

Source: Giesecke+Devrient (06/29)

G+D Mobile Security launches "IoT Attach" and "IoT Advance", two essential solutions to connect billions of Internet of Things (IoT) devices. The "IoT Attach" and "IoT Advance" Subscriber Identity Module (SIM) products have been developed in cooperation with reference Mobile Network Operators (MNOs) and IoT application providers. These dedicated SIM products not only offer the benefit of network protection to MNOs, but also protect IoT data and help tackle the big concern of lifecycle management of IoT devices.

The new SIM products by G+D Mobile Security are simple, pluggable and scalable solutions for easy deployment. While further form factors are under development, the current solutions offer the MNO the required services and performance with ultimate flexibility. Both SIM solutions come equipped with an end-to-end security solution which secures data from the IoT end point, through the Low Power Wide Area Network (LPWAN) Cellular IoT network and onto the application server. In addition, the "IoT Advance" solution provides further flexibility in the areas of power optimization, root-of-trust for firmware updates over the air (FOTA) and Quality of Service (QoS) solutions.

"There is a clear need for dedicated IoT SIM solutions", stated Carsten Ahrens, CEO of G+D Mobile Security. "Based on our close relationships with leading Mobile Network Operator (MNO) partners and our long history in supporting the Telecommunication Industry, we are able to offer our optimized "IoT Attach" and "IoT Advance" SIM products to connect and manage a broad spectrum of IoT devices."

The new products support LPWAN Cellular IoT i.e NB-IoT and Cat-M specific technical requirements (e.g. optimized power consumption) and are fully based on industry standards. Furthermore, they support the new business models and launch scenarios which are associated with large scale IoT device deployments. The "IoT Attach" and "IoT Advance" products are the first in a series of IoT-specific products from G+D Mobile Security.

Giesecke+Devrient is a member of ACT Canada, please visit www.gi-de.com



23. GLOBAL PAYMENTS PARTNERS WITH CAIXABANK, SAMSUNG, VISA AND ARVAL TO ESTABLISH PAYMENT INNOVATION HUB IN BARCELONA

Source: Global Payments (07/13)

Global Payments Inc. announced the company, together with CaixaBank, Visa, Samsung and Arval, will establish a Payment Innovation Hub at Barcelona's Pier01. Among the first of its kind, the collaboration center will bring industry leaders together from around the world to develop state-of-the-art payment solutions and create new purchase experiences that align with evolving technology and market trends. The Hub will have a multidisciplinary team comprised of experts in R&D, technology, market analysis and business development who will work to shape the payment technology needs of the future. Global Payments will leverage its expertise to help develop new solutions using emerging technologies including connected experiences made possible by the Internet of Things as well as omnichannel solutions that buyers and sellers will use to conduct commerce across both physical and virtual channels.

"The culture, infrastructure and spirit of entrepreneurship in Barcelona serve as the perfect backdrop for Global Payments and our fantastic roster of partners to foster innovation," said Frank T. Young, SVP Global Product and Innovation for Global Payments. "This initiative reinforces our company's position as a leader in technology-led, software-driven payment solutions and sets the course for the future of payment innovation."

Global Payments Inc. is a member of ACT Canada, please visit www.globalpaymentsinc.com.

24. WHAT IS ZELLE AND WHY DOES IT MATTER?

Source: Let's Talk Payments (07/13)

You would be hard-pressed to miss the news about the recent launch of the person-to-person payments app, Zelle. The company's parent company, Early Warning Systems (EWS), has released a full barrage of press releases, promoted tweets, and co-branded advertisements with partner banks to tell the world that Zelle is "The Way Money Moves." Additionally, major banks have started using the Zelle branding in their mobile and online money movement screens and have begun email marketing campaigns with their customers. This has left many people wondering what exactly Zelle is though, and why it's different from previous offerings from the banks.

Simply put, Zelle is the rebranding of the existing peer-to-peer directory service and network rules called clearXchange, which is used to move money between a number of major US banks today. The service has been enhanced to solve some of the key pain points from the previous generation offering, mainly around increasing the ubiquity of the network by extending it to customers at



additional banks. The first phase of Zelle is for participating banks to rebrand their person-to-person money movement tools to the Zelle name and to standardize the screens used for this functionality. You may have started seeing this happen with the apps from Bank of America, Wells Fargo, and others. The second phase of Zelle will be a consumer-facing Zelle app deployed to the app stores that allows users to send money via a simple, clean interface – much like what you would find with Square Cash or Venmo. By offering the quick service app and a similar experience within the user’s existing bank app, Zelle is hoping to stop the bleeding of users who are shifting to Venmo (and its peers) and pick up the new users of P2P products.

Under the covers, Zelle still functions by combining a directory of emails and phone numbers matched to bank account data along network rules for moving money along the ACH network. Thanks to bank agreements, the money is made available immediately to the receiving user, despite the overnight timing of the actual money movement. This real-time availability is a key differentiator for Zelle and something other services will likely want to replicate for parity. Even after knowing what Zelle is, you may still be left wondering why it really matters; after all, it’s nothing fundamentally new, and Venmo and others seem to work perfectly fine. As an IT services provider and a 17-year veteran of the banking industry, I have seen more interest in Zelle that I have ever seen in any other banking product. This is partly due to the fact that the banks have been looking for something new they could leverage to begin competing against (or at least offer something comparable to) companies like PayPal, Venmo, Apple, and Google.

Additionally, the design of the Zelle network and support from all of the major financial services software providers have made the product accessible to banks of all sizes. In most cases, the larger banks are building custom integrations to Zelle so they can leverage the functionality for future products like TCH real-time payments, bill pay, or disbursements. The smaller banks are utilizing their existing providers like FIS and Fiserv to integrate with Zelle, and the mid-market banks are doing a combination of both.

Regardless of the specific approach taken, all retail consumer banks in the US should look closely at Zelle to find the right fit for their business. Given the rapid evolution of the product and the continued expansion of its capabilities (such as integration with the EWS fraud services), its alignment with the TCH real-time network, and the increased momentum in adoption, it is worth evaluating – even for banks that previously decided not to participate. Zelle could be exactly what they need to keep customers engaged and utilizing their products instead of shifting their financial service interactions to Apple and Google.





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