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The Future “Great Wall” of ATMs in China

By Mike Lee, CEO, ATM Industry Association

www.atmia.com

London, England, October, 2008

Introduction

The 2008 Olympic Games in Beijing saw China take centre-stage for an extravagantly well-produced global event which the host nation also won, topping the gold medal table. The event was a scintillating sporting and cultural success.

This victory for Beijing was categorically not a matter of luck. China is a nation whose time has come. What the world will remember perhaps more than the sporting achievements themselves, from the legendary exploits of Michael Phelps in the pool to the electric performance of Usain Bolt on the track to become officially the fastest man on earth, is that 2008 was the year China *arrived* on the modern world stage.

Economically, this future super-power has been growing consistently at a rate faster than most countries can aspire to match for a single year, let alone for over twenty years on the trot. China is now the world’s fourth largest economy. It “has been the world’s fastest growing economy for almost three decades.”^[1]

Historically, China is one of the world’s oldest and longest-lasting civilisations. The nation’s Great Wall is one of the man-made wonders of the world.

In short, China is a huge, historically important nation (about 1,3 billion people) dwelling on a colossal land mass (9 598 000 square kilometres) riding the economic wave of globalisation.

The World Bank (<http://web.worldbank.org>) reports of China: “Since initiating the reforms and open policy, China has achieved tremendous success. Growth of about 9.7% per annum since the late 1970s has helped to lift several hundred million people out of absolute poverty.” The country’s annual GDP growth rate in 2006 was an amazing 11.6%. The size of its GDP in that year was \$2,657.87 bn. The World Bank estimates

that 40% of that GDP derived from export of goods and services, up from 23% in 2000, indicating the increasing extent to which China is becoming integrated into the world economy. China's 11th Five Year Plan (2006-2010) has aimed to double its 2000 GDP per capita by 2010.

On the back of decades of high economic growth, China certainly had the money at its disposal to fund a memorable 2008 Olympic Games. But it also had the talent, the cultural finesse, the resourcefulness, the organisational power, the determination and the motivation necessary for creating this successful global event. The world knows now that China can produce whatever it sets out to achieve.

But what successes lie in store for its growing ATM industry? How many ATMs can the world's largest nation and fourth biggest economy produce by, say, the next Olympics in London 2012? Will the country one day boast a "Great Wall" of ATMs?

Installed ATM Base: Present and Future

According to London-based Retail Banking Research (www.rbrlondon.com) there were 130,000 ATMs installed in China by the end of 2007.

"This means there are just 98 ATMs per million people in China, compared to an average of 770 ATMs per million people in Western Europe," explains RBR's Sarah Jones. "There remains huge growth potential for the ATM market in China, particularly among the big four state-owned banks, whom have not yet equipped all their branches, as well as in rural areas."

To reach penetration levels equivalent to those in Western Europe, China's number of ATMs will need to increase almost eightfold.

RBR have forecast that the Chinese ATM market will double over the next 5 years. I will stick my neck out and challenge the ATM industry in China to go beyond a quarter of million ATMs in 2012 and so to double its installed ATM base to 260,000 by the time the London Olympics begin.

What are the growth dynamics for ATMs? In general, to understand how demand for ATMs can grow, one can look at factors like:

- What are the economic prospects for the nation?
- How cash-based is the nation, that is, how much cash is in circulation per capita?
- What kind of electronic banking systems and networks exist in the country for inter-bank transaction processing?
- How many city-dwellers are there versus rural population?
- How many bank cards and cardholders does the nation have?
- How large is the so-called consumer society in China?

These are the kind of conditions which will impact directly on the ongoing demand for ATMs in China.

Demand Drivers for ATMs

Let us take each factor briefly. The first factor, economic growth, has been discussed already. It's a given.

1. Cash in Circulation

China is strongly cash-based, as are so many countries in the world today from Japan in the east to the USA in the west. Incidentally, I regard the cashless society as a myth – since this concept was first dreamt up, it has proved to be as elusive as the paperless office, the Lochness monster and the abominable snowman.

The Bank of China's 2006 Annual Report (<http://www.boc.cn>) provides monthly figures for currency in circulation in China as part of the country's money supply. In 2006, the average *monthly* amount of currency in circulation was just over 2 826 700 000 000 yuan (that is, 2826.7 billion yuan). That is a vast monthly circulation of banknotes in the public arena in China, equivalent to approximately 2174 yuan *per person*. Given that banknotes typically pass through many hands in their lifecycle, some of which are “invisible” in that they are not recorded on any bank system, the number of cash transactions in China in any given month would be almost immeasurable.

2. Electronic Banking System

The successful establishment of the China National Advanced Payment System (CNAPS) augurs well for the future of electronic banking in China, including ATM banking. The core of the system is a high-value payment system (HVPS) and a bulk electronic payment system (BEPS). In the first half of 2007, HVPS processed 650,000 inter-bank transactions with a value of 1.6 trillion yuan. BEPS provides nationwide deposit and cash withdrawal facilities, as well as on-line or on-telephone inter-bank payments. Chinese Bankcards can now be used on an inter-bank basis on a nationwide level at all ATMs joined to the system.

China UnionPay (CUP) owns and operates the country's sole bank card transaction system. It has plans to enlist 60% more merchants and roll out 14 million terminals, including mobile telephone payment services. By the end of March 2008, 203 institutions, including 168 domestic banks, had joined UnionPay.^[2] About 804,500 merchants are reported to accept bank cards in the country.

This impressive CNAPS system permits numerous innovations, such as migrant workers' cards. So far, migrant card schemes have been launched in at least 13 municipalities. 1.59 million transactions on migrant workers' cards have been completed, totalling 785 million yuan. There are also no fewer than 12,000 rural credit cooperatives connected to CNAPS.

Clearly, China has the innovative electronic banking and payments infrastructure required to support a large, growing inter-bank network of ATMs.

3. City-Dwellers

The United Nations forecasts China's population to grow from 1 269 962 000 in 2000 to 1 408 846 000 by 2050, a net addition of 138,884,000 people.

There are already 540 million people in the mega-cities and cities of China. This means there are already more *urban* Chinese than the entire *combined* populations of the United States, the United Kingdom, Australia and South Africa.

In 2000, approximately 35.8% of the Chinese nation lived in urban areas. The UN has

forecast this level of urbanisation of the nation to rise to 60.3% by 2030, with only 39.7% still living in rural environments by then. The *scale* of this increase indicates that a rapid transformation of China is set to take place in this period, from a predominantly rural country to an overwhelmingly urban one. Between 2015-2020, China's population will shift from being a majority *rural* one to a majority *urban* one. It is anticipated that by 2020, for example, there will be more than 900 people million living in cities. That translates into an average of 61,643 people migrating to China's cities *every single day*, a huge internal migration.

Readily attainable penetration rates of 1 ATM per 1,000 citizens would result in installations of 540 000 ATMs *in the cities of China* alone. By 2020, this could become 900 000 ATMs for 900 million city dwellers.

Future forecasts should see 540 000 ATMs as a mere baseline target for China. This translates into an additional 410,000 ATMs from the installed base at the end of 2007. But that baseline figure would not be anywhere near the saturation point for ATM growth in China.

Like most figures about China, these kinds of numbers look very impressive, especially when the size of the revenue this could generate for manufacturers is calculated, as well as the scale of ATM transactions, with associated fees, which this estate of ATMs could bring in for Chinese banks. It is a mind-boggling scenario of growth.

4. Growth of Consumer Culture

Today, there are over 390 million mobile phone subscribers and 111 million Internet users in China^[3]! These are the kind of consumers who will also use ATMs. When you have massive urban populations using self-service banking and consumer technologies, the market is ripe for ATM banking. China's growing middle-class aspires to the kind of lifestyle America and Europe have popularised and promoted through post World War 2 globalisation. That lifestyle translates into a car, plastic cards in the wallet, television, internet and mobile phones for every single middle class household. It also means that shopping – and spending – has arrived big-time in China.

The ATM is without question one of the most important self-service consumer technologies for modern societies^[4]. This is especially true for cash-based economies like China's, for ATMs are the main distribution channel for banknotes in today's world.

5. Growth of Bankcards

The Bank of China issued its first credit card in 1985. By 2001, Chinese banks had issued over 140 million cards. In its Annual Report of 2006, the Bank of China outlined the number of credit cards it issued between 2003-2006.

Figure 1 Number of Credit Cards Issued by Bank of China in mainland China: 2003-2006
Source 2006 Annual Report, Bank of China (own graph)

Figure 1 shows exponential growth of issued cards in this period. In addition to the 2.15 million credit cards issued in 2006, the bank had also issued **98.6 million debit cards** in mainland China by year end. By the end of the same year, Bank of China had enlisted 190,000 merchant acquirers for acquiring transactions from its bank cards.

China's total bank cards, including debit and credit cards, topped 1.58 billion by end March this year^[5]. Debit cards still dominate China's bank card market, accounting for 93.4 percent of the market total.

The recently launched Bank of China Great Wall credit card can be used to withdraw cash in over 10,000 Bank of China branches all over China and at over 80,000 merchants nationwide. The scale of electronic payments and transactions in China is already enormous, a mere twenty-three years after the first credit card was issued by the Bank of China.

China-based card manufacturer, Eastcompeace, is ranked 20th in the world by Nilson Report (issue 908, August 2008) for total payment cards shipped. Eastcompeace has shipped over 26.3 million payment cards in total. Manufacturing and issuing cards in China is a large and fast-growing business.

If you take these five factors together, coupled with economic optimism and business confidence, then the future for China's ATMs looks phenomenal. There is continued high economic growth forecast for the country, rapid and large-scale urbanisation, an advanced, well-managed national electronic banking network, coupled with a cash-based economy, a big card base and a growing mass consumer culture filled with mobile phone subscribers, internet users and cardholders.

The growth potential for new installed ATMs is situated in both bank branches and in the retail environment, not to mention some rural villages.

ATM Market Share

The immense potential in the Chinese ATM market is demonstrated by the number of manufacturers now active in the country. Local involvement has often proved beneficial to foreign companies in their attempts to gain a foothold in the Chinese market. Diebold and NCR established joint ventures with Chinese manufacturers in 1993 and 1997 respectively, while Wincor Nixdorf formed a partnership with domestic ATM supplier Eastcom towards the end of the decade.

Though the market share has changed in the past three years, the market is still monopolised by a few suppliers, which together took over 80% of the ATM market. While service and support have become a crucial issue determining competitive edge, the new breakdown of market share for year 2007 is as follows: Diebold 25.74%, GRG Banking 21%, Wincor-Nixdorf 14.20%, Hitachi 12.72% and NCR 9.47%. (*Source: Financial News China 7th July, 2008*)

China's domestic ATM suppliers, spearheaded by GRG Banking, have contributed to China's ATM industry by providing enhanced services and national support networks, lowering the total cost of ownership of ATMs through competition, while optimising the functionalities of ATM to be more localised.

Mark Yip, Managing Director of GRG Banking, points out that this manufacturer has been providing competitive products and services for customers worldwide since early 1980s. Part of GRG's unique value proposition, Yip explained to me, is its well-structured service network. In addition, it has the expertise and product portfolio to enable GRG to execute ATM projects of any size and scope.

Future ATM Market in China

Given all the above conditions, and the combined role of domestic and foreign manufacturers, the target of 260,000 ATMs by mid-2012 is certainly possible, especially if barriers to entry are furthered lowered and ATMs are seen not simply as extensions of the bank branch. Rather, ATMs should be viewed as flexible cash distribution channels for consumers who need 24 x 7 access to their banked cash near to where they live, work and shop. The retailisation of ATMs in China will really get cash flowing at a faster rate through this vibrant super-economy.

Undergoing a paradigm shift from seeing ATMs mainly as “mini bank branches” to self-service consumer cash machines will delight retailers, owners of restaurants, operators of shopping malls or centres and all *their* suppliers, not to mention those armies of cardholders among the 540 million urban Chinese citizens.

These urban cardholders will demand increasing sophistication from ATMs. The future looks good for ATM multi-functionality in China. In addition to withdrawals, enquiries and transfers, it is expected that ATMs in China in future will be required to provide value-adding new services like bill payment, invoice printing, and multimedia advertising. In particular, cash recycling is being gradually applied in all the major cities of China, and this will become a major main ATM trend.

I encourage Chinese banks to fully embrace the concept of the convenience (retail) ATM. I also stress the complementary need for independent ATM operators and their nimble business models, suited for the retail sector, to help quicken the growth rate of ATMs. This long-term dream of *at least* 540 000 ATMs in China is a big dream. Many hands will make light work.

Finally, ATMIA, which is a friend to all ATM industries, including in China and in the great Asian region of the world, urges both bank and non-bank ATM deployers in China to invest in the future reputation of this great delivery channel for financial services by implementing current security best practices now, and on an on-going basis. International fraud threats are evolving very fast. There is no greater threat to the future growth of ATMs than that posed by organised criminals and corrupt insiders who wish to steal the contents of ATMs and of people’s bank accounts, as well as their sensitive customer data.

ATM growth and ATM security, which thus go hand-in-hand, will both be discussed at ATMIA’s 4th annual “ATMs in Asia” conference to take place in Hong Kong in July 2009.

Conclusion

There will surely one day be a “Great Wall” of ATMs in China.

That large-scale building process is well underway. All the conditions are favourable for a high-demand for ATMs for years to come. This growth will boost the financial services and retail sectors of the Chinese economy. Multifunctional ATMs will provide a range of value-adding services to increasingly sophisticated urban bank cardholders.

Each step of the way, the industry should think “convenience” and “security”, because, in my view, “convenience” *plus* ‘security’ *equals* long-term growth for financial services.

This article now ends with a long-range forecast. A baseline target of 540 000 urban ATMs was suggested earlier, as well as the interim goal of 260,000 by the time of the next Olympics of 2012. And it was pointed out there could be 900 million Chinese city-dwellers by 2020.

So, can we imagine a “Great Wall” of one million ATMs in China one day? Is *that* possible? The Great Wall itself was *made* possible. Winning the 2008 Olympics was *made* possible.

For China, anything is possible.

Acknowledgments

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Debit Council Update

The ATMIA Debit Council Meeting originally scheduled for October 9th will be rescheduled for the end of October or early November. Among the topics of discussion will be the agenda for the debit council in 2009.

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Legislative Update

No new proposed legislation or updates this month.

PCI Update

<p>About ThoughtKey</p> <p><i>ThoughtKey was founded in 2007 for the sole purpose of providing PIN Security, Key Management and PCI Program expertise to the payment industry. We act as or augment your PCI risk and operational departments to achieve the PCI compliance as promulgated and mandated by the payment industry.</i></p> <p>We navigate your PCI program holistically by identifying the applicable PCI steps, project managing, vendor negotiating, researching requirements, and assisting with remediation on your behalf. The benefit: you can take the credit for achieving a secure portfolio - without leaving your office or distracting you from your daily demands. Our clients refer to us as their "PCI Navigators."</p> <p>www.ThoughtKeyInc.com</p>	<p>PCI Today is a monthly bulletin and one of our many helpful tools that assist our clients in understanding the complex rules and regulations surrounding PCI program compliance. We conduct research and provide the cliff-notes version to you so you can focus on your primary responsibilities.</p> <p>Our bulletins will cover all parts of a PCI program:</p> <ul style="list-style-type: none">◆ PCI DSS◆ PA DSS◆ PCI PED and MC PTS*◆ PCI EPP*◆ PCI PIN and TG-3* <p>Given your limited free time, we keep the content of the bulletin brief yet focused. We look forward to your feedback and recommendations on other topics you wish to read about in our bulletins.</p> <p>Susan.Kohl@ThoughtKeyInc.com</p> <p>* See our PIN Today bulletin for more information</p>
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PCI - Budget or Bust?

For many of organizations they are familiar with the term PCI and the related requirements. They may even have completed their "PCI validation" - you deserve applause for supporting the security of cardholder data and contributing to the reduction of fraud costs in the payment industry.

For many others, your organization read about PCI and the implications but is confused about whether it applies to your organization, to what extent and even more importantly how much will it cost? All great questions to ask. Let us briefly address the first two questions and dive into what your finance department will need to know summarized into 5 simple guidelines.

- 5 Proactively PCI Planning Guidelines
- Understand all PCI programs and scope accordingly
- Conduct a gap analysis and remediate quickly
- Budget accordingly
- Implement breach security response program
- Ensure proper PCI expertise/knowledge in your organization

1. Does PCI apply to my organization?

- PCI is not just for merchants, ISO's, card issuers and payment processors. In fact, if your organization does any of the following activities PCI applies in one form or another.
- Stores, processes or transmits cardholder data (PCI DSS)
- Creates, injects and/or handles encryption key components (or PIN's) (PCI PIN and ANSI TG-3)
- Develops and sells to third parties software/applications that manage cardholder data (PA-DSS)
- Manufacture payment devices that accept/manage PIN entry (PCI EPP and PCI PED)

2. To what extent does PCI apply to my organization and/or others who provide services to my organization?

Someone who is VERY familiar with the various PCI programs and the related requirements should assess the scope of PCI to your organization. Synchronize the requirements with your payment environment including all software, devices and connecting points. This should not be a guessing game and/or assigned to someone in your organization based on workload availability. Engage a specialist if you need assistance - the risk of miscalculating the scope or PCI is pricy! As a general rule, any technology environment that has access to payment information (any element of cardholder data) all along the creation and payment lifecycle is subject to PCI DSS at a minimum. I recommend organizations begin with topography of their environment with a legend where cardholder data can exist.

Okay, now to the PCI compliance cost, after all, this why you are reading this issue of the newsletter, right? I thought it would be appropriate to label this BUDGET or BUST as this best represents your options. We have seen the headlines - it is no secret being compromised can be very painful and exorbitantly expensive. BUSTING is no fun and certainly not the optimal position for your organization and/or clients. Here are a five simple guidelines your organization can follow to control your PCI-related cost- PROACTIVELY. If you wait until a breach and/or fine is imposed, the guidelines and/or costs below are no longer relevant - seek general counsel as soon as possible!

BUDGET CONSIDERATIONS

Define the answers to question 1 and 2 above. If you are not 100% certain of your responses, hire a PCI consultant to assist.

- Cost: Scope PCI and map your environment to the PCI applicable programs can range from internal resource costs + PCI consultant = \$1,000 to \$10,000.
- Conduct a "gap" analysis between your environment and the PCI control requirements. Cost: internal resource cost + PCI consultant = \$5,000 to \$50,000.
- Close the control "gaps" in preparation of PCI validation. Cost: updates to environment technology (\$1,000 - \$500,000) + internal resources + PCI consultant = \$1,000 to \$500,000
- PCI DSS required quarterly vulnerability scans. Cost: \$250 (small single location) to \$25,000 (dependent upon the number of external facing IP addresses - assume \$250/IP)
- PCI DSS "remote" (for the self-assessment questionnaire only). Cost: \$250 - \$3,500
- PCI DSS "on site" validation audit by a Qualified Security Assessor (QSA). Cost: \$15,000 to \$250,000
- PCI DSS required penetration scan (can be performed by internal resources or an ASV). Cost: \$6,000 - \$8,000 per server within scope
- PCI PED/EPP lab evaluation and preparation: Cost: \$35,000 to \$75,000
- PCI PIN and TG-3 audit validation. Cost: \$5,500 to \$25,000
- PA-DSS assessor validation. Cost: \$25,000 to \$100,000

BUST

Note: If you choose to wait until a breach occurs count on the cost ranging from \$500 to \$2,500 per cardholder number or other card data element breached.

Next month's issue.....Next month we will we will define "Service Provider" and their PCI requirements and how this impacts a merchants' PCI compliance.

<u>Policy and Procedure Template Available</u>		<u>Did you know?</u>
<p>We developed an electronic Policy and Procedure PCI Workbook to assist you through the various PCI requirements. The cost is well within your budget and saves you days of research. (Retail Value: \$350; MAC and ATMIA Members discount price: \$200).</p> <p>Email us your request for the workbook and have the document in your hands within 24 hours (after payment). information@ThoughtKeyInc.com</p> <p>To become an ATMIA Member – www.ATMIA.com. To become a MAC Member - www.macmember.org.</p>	“D.Y.K.”...Did you know?	<p>Did you know there are now a few forums set up solely focused on PCI questions?</p> <p>Ask away and get the answers you need for free! Yes, free...no strings attached except that others may learn from your questions and the responses. Go to...</p> <p>www.knowpci.com www.thoughtkeyinc.com (coming in the near future)</p> <p>You will need to set up a login if you have not already done so.</p>
<p>For more information on our services, please contact Susan Kohl at (678) 522-2466 or information@ThoughtKeyInc.com.</p> <p>If you wish to unsubscribe please send us an email to information@ThoughtKeyInc.com.</p>	Contact Us	<p>Feedback:</p> <p>Let us know other PCI related topics you wish to read about in this bulletin. We will research on your behalf and provide you with the information.</p>

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National City, Visa Announce New Agreement

National City and Visa have announced "a renewed and expanded brand agreement through which National City will continue to provide its customers with Visa consumer and commercial credit and check card products, while adding Visa Interlink and PLUS as the bank's primary PIN debit and ATM networks."

As part of the new agreement, National City also will transition to Visa Debit Processing Service, which provides single-point access to global Visa payment products and services, and real time risk analysis on every online transaction including purchases and ATM transactions.

"This agreement provides banking services that bring innovative products and enhanced convenience and security for our customers, which are key to the ongoing success of our business," said Dan Frate, Vice Chairman, National City. "We have enjoyed a long standing tradition of debit and credit service from Visa and are now looking forward to expanding our relationship to include a wide-ranging debit payment platform and processing services that we believe will deliver added value to our customers."

Frate added, "This new association will allow us to grow our card business and continue our goal of becoming the payment engine for our customers. Serving as our customer's primary payment processor is the essential component of our business strategy, both in consumer and commercial banking."

"National City's choice to add Visa's complete array of consumer debit products and utilize our debit processing services underscores the breadth and value of our integrated debit program for financial institutions and their customers," said Bill Sheedy, President, North America, Visa Inc. "The opportunity in debit is significant, as consumers increasingly turn to ready funds for everyday purchases. We will continue to work closely with National City to develop payment solutions that best meet the unique needs of its customers and help the bank to meet its business goals."

First Community Credit Union (Chesterfield, MO) has announced the introduction of unembossed, flat-panel Visa debit cards that will be issued immediately to members upon opening a personal checking account. Partnering with Dynamic Card Solutions (DCS), a developer of instant issuance and PIN selection solutions, First Community is the one of the first credit unions to implement such a program.

The credit union is rolling out the state-of-the-art instant issue technology – DCS' CardWizard® software and CardWizard FCP 20/20 flat card printer – to its 25 locations. Each branch will all have the capability to digitally print a non-embossed debit card on plain white stock – the end result being a Visa® branded debit card that is a brilliant metallic red and easily recognizable amongst other cards in the member's wallet.

Focused on member service, First Community recognized that instant issuance was a convenient way for its members to receive their debit card. The credit union can print the card on the spot at the branch location in lieu of members having to wait five to 10 business days to receive their card and personal identification numbers (PINs) through the mail. The card can be immediately used once the member leaves the branch. This convenience is also available to existing members who need to replace a lost or stolen card.

"First Community was among the first credit unions to offer debit cards back in the early 90's," said President Glenn Barks of First Community. "Implementing a flat-panel, unembossed debit card that can be issued and used immediately was an easy choice for us as we continue to be a progressive leader in the industry. After reviewing multiple applications, we chose DCS' card issuing technology because of its level of sophistication and ease-of-use."

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Capital One Bank Launches Checking Account with Rewards

Capital One Bank has announced it has introduced a Rewards Checking account that "allows customers to easily earn rewards for everyday banking activities."

With no monthly service fee and no minimum balance requirement, the new Capital Ones Rewards Checking account lets customers earn rewards fast; miles are automatically earned for most checking account transactions including debit card purchases, online bill payments, and other withdrawals. Customers also receive 1,000 miles for opening an account and 4,000 miles when they set up direct deposit.

"The Rewards Checking account is a free, no-hassle way for customers to earn rewards for many things they are already doing, like shopping and paying bills online," said Diana Don from Capital One. "Capital One's new checking account offers more ways to earn rewards and a variety of ways to redeem them, giving customers the flexibility to decide which rewards are best for them at any given time. And because No Hassle miles never expire, our customers are free to redeem their rewards right away or save them for a bigger goal."

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NFC Mobile Payments - Beautiful Says Dutch Retailer!

Dave Birch's latest Digital Money Forum podcast is a classic. Dave interviews Rover van Mierlo, Director Central Logistics and Innovation of Schuitema NV, the second largest retailer in The Netherlands, about a six month NFC mobile payments trial recently concluded at the C1000 supermarkets.

The trial went beautifully - what's not to like about 98% positive customer satisfaction? But, the reality is that moving from pilot to production deployment is stalled - because the mobile operators, handset suppliers, and banks can't agree among themselves how to bring NFC mobile payments to market. Mierlo works for a major retailer who's itching to deploy NFC - but can't.

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MasterCard Launches MasterCard Savings Discount Program

MasterCard Worldwide has announced the launch of MasterCard Saving - calling it "a new, innovative program that provides Debit MasterCard and eligible Prepaid MasterCard cardholders with hundreds of significant merchant-funded discounts and special offers each day from thousands of merchants across the country. Debit and prepaid MasterCard cardholders can quickly enroll at <http://savings.mastercard.com> There is no cost to cardholders."

Through MasterCard Savings, cardholders will be able to select which merchants they receive promotional offers from and set up e-mail alerts so that they can be notified when discounts and other unique offers such as exclusive in-store shopping events become available from preferred merchants. In this initial launch, cardholders will be able to take advantage of discounts both on-line and in stores through the use of promotional codes, printed coupons and direct links to the discounts available from their personalized MasterCard Savings portal.

"MasterCard Savings is the next generation of cardholder reward platforms," said Patricia Preston, Senior Vice President, U.S. Debit Product Management & Development, MasterCard Worldwide. "This unique program offers an extraordinary breadth of rewards and special offers from thousands of merchants across a wide range of merchant categories that go far beyond those traditionally associated with debit and prepaid cards."

The program is provided in conjunction with Next Jump, Inc. a leading rewards and loyalty provider. "We are very excited about this relationship with MasterCard and look forward to working with the company to leverage our technology and merchant network to provide tremendous value to cardholders, issuers and merchants," said Charlie Kim, Chief Executive Officer, Next Jump.

The MasterCard Savings platform will be available to all U.S. issuers of MasterCard debit and prepaid cards. Cardholders will be able to access the program directly through savings.mastercard.com. A simple enrollment process will enable them to sign up and choose their preferences for the types of merchants they are interested in and the offers they want to receive. The more preferences they choose, the more relevant the offers will be to their interests. Additionally, the MasterCard Savings homepage will also feature weekly hot deals, the most popular merchant offers and alerts about remaining days on limited time offers.

The program already has thousands of participating merchants across a wide range of categories, including: Armani Exchange, Avon, The Container Store, The Home Depot, Lands' End, Office Depot, Omaha Steaks and Sears.

Debit and eligible prepaid cardholders can participate at no cost in the Basic-Level Program, with discount offers averaging 5% to 20% and/or free shipping. In addition, a Premium-Level Program, with discount offers averaging between 20% to 50% as well as limited time offers and special in-store events can be purchased for an annual fee of \$29.95 by cardholders.

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New Javelin Study - 2008 Expedited Payments Forecast

Javelin Strategy & Research is announcing a new study titled "2008 Expedited Payments Forecast: Banks Must Add Expedited Payments Now or Lose \$5 Billion in Fees to Billers." According to Javelin, "the study finds that financial institutions must incorporate expedited payments now or risk losing \$5 billion in fees to third party billers."

"Most consumers currently initiate expedited bill payments directly with the biller versus their financial institution," said James Van Dyke, president of Javelin Strategy & Research. "However, financial institutions have the opportunity to directly offer expedited payment services, reaping fees and strengthening their payments franchise."

Javelin research reveals how consumer usage of online bill payment services can include expedited payments fees as a revenue source for financial institutions. Nearly 32 million consumers are active users of online banking bill payment in the U.S., and the volume of expedited bill payments will reach as high as 400 million transactions by 2013.

The report also highlights the implications for mobile expedited payments, citing that currently 45% of existing mobile bankers use expedited payments at least once a month and certain age groups are poised to drive mobile channel growth.

Report author Bruce Cundiff, director of payments research and consulting at Javelin comments, "While the online channel is primarily used for expedited payments, mobile could represent incremental value to banking and bill pay customers. Using mobile alerts to advise customers of upcoming payments would raise awareness of the bank's ability to offer same day payments—building greater customer loyalty—while increasing bank revenues."

As expected, the current economy motivates consumers to accept higher fees associated with expediting bill payments in lieu of facing costly late payment charges. Javelin forecasts that cash-strapped consumers using expedited payments as a way to hold onto bill payments longer could face a doubling in the price of expedited payments over the next five years, from \$8 on average to \$16 in 2013.

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