

CA Digest

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In Focus



European Union Parliament Kills SWIFT Deal

The European Parliament has voted to scrap a controversial agreement to allow US authorities access to EU banking data transmitted over the international SWIFT network.

In November 2009 European Union ministers agreed a temporary nine-month deal to continue letting US anti-terror investigators access details of bank transfers conducted over SWIFT.

The decision to overturn the agreement follows intense US lobbying ahead of Thursday's vote.

Last weekend interview with German magazine Spiegel, Adam Szubin, the US treasury department official in charge of the Terrorist Finance Tracking Program, said that US tapping of SWIFT banking data had helped to identify and break-up a number of potentially deadly terrorist cells operating in Europe. He warned of serious diplomatic consequences, as well as security gaps, if Parliament were to veto the program.

But EU Parliamentarians were unconvinced by the appeals, expressing concerns that the deal failed to protect the privacy of EU citizens.

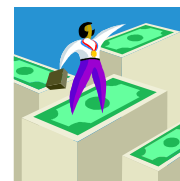
In the final vote, political leaders in Strasbourg voted 378-196 against the deal, with 31 abstentions.

The European Commission said it will need to explore with the US treasury department the extent to which there is scope to negotiate a long term EU-US TFTP agreement.

Commissioner for Home Affairs, Cecilia Malmström states: "I remain convinced that the program enhances the security of our citizens: it would be the role of the Commission to make sure that all the relevant safeguards for EU citizens' privacy and data protection are duly included in any possible future agreement. In spite of this set back, I hope we will be able to agree a text in the near future that will give us greater security, more data protection and a useful cooperation tool with US authorities.

"Following today's vote in the European Parliament, we will have now to reflect together with our US partners on the possible negotiation of a new agreement".

Remittances



Australia

Visa and Travelex partner for remittances from Australia

Global retail payments network operator Visa and foreign exchange and payments company Travelex have launched the Visa Money Transfer service in Australia.

According to the deal, Visa is set to provide consumers with the option to send money domestically and internationally via Travelex's Australian online portal, www.travelexvmt.com.au. Money will be transferred over the Visa network to the eligible Visa debit, credit or prepaid cards.

Senders can initiate a Visa Money Transfer to make person-to-person payments, send funds or make account transfers.

Travelex is a non-bank provider of international payments. Travelex Global Business Payments division operates in 13 countries, conveying transactions in over 130 currencies.

India

India Posts launches two-way remittance service

India Posts has launched a two-way international money remittance service - 'MO Videsh' where outward remittance up to USD 5,000 per transaction and an overall cap of USD 100,000 per annum is permitted for education, medical treatment and family maintenance

purposes. For travel abroad, maximum of USD 10,000 is permitted.

Inward remittance shall not exceed USD 5,000 at a time and a maximum of 12 inward remittances were allowed in a year, a release from the Department of Posts recently.

About 60 countries were part of the remittance network.

The mode of outward remittance is by cash or postal order or cheque and it gets paid through the payee account and for inward remittance up to Rs 50,000 is paid in cash and above in cheque, the release added.

International

Western Union sees 4% revenue drop in 2009

Money transfer services provider Western Union has seen its Q4 2009 revenue rise 2 percent to USD 1.3 billion compared to the same interval of 2008, with constant currency earnings per share (EPS) of USD 0.32, compared to USD 0.34 in the fourth quarter of 2008.

For the full 2009 year, Western Union has seen its revenue drop by 4 percent compared to 2008 to USD 5.1 billion, with EPS worth USD 1.21, compared to 2008 EPS of USD 1.24. The company also saw its volume of cash provided by operating activities reach USD 1.2 billion for the whole of 2009.

In 2009, Western Union's cross-border consumer-to-consumer (C2C) money transfer

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market share rose from 17 percent in 2008 to an estimated 18 percent in 2009, while its number of agent locations has grown to over 410,000.

For 2009, the C2C segment represented 85 percent of Western Union's revenue at USD 4.3 billion, a decrease of 4 percent from 2008. Operating income was down 4 percent and operating income margin was 27 percent, which compared to an operating income margin of 27 percent in 2008.

The EMEASA (Europe, Middle East Africa and South Asia) region, which represented 45 percent of Western Union revenue, reported a revenue decline of 1 percent and transaction growth of 10 percent compared to 2008. India revenue grew 11 percent and transactions increased 22 percent for the year.

The Americas region, which represented 32 percent of Western Union revenue, reported a revenue decline of 9 percent and a transaction decrease of 3 percent for the entire 2009. In the domestic money transfer business, revenue declined 14 percent and transactions declined 5 percent. Mexico, which was 6 percent of Western Union revenue for the year, had a revenue decline of 15 percent and a transaction decline of 12 percent.

The APAC (Asia-Pacific) region, which represented 8 percent of Western Union revenue, increased revenue by 5 percent on transaction growth of 18 percent during the year. China revenue increased 1 percent and transactions increased 4 percent compared to 2008.

Philippines

Remittances go mostly to food—ADB study

Even as last year's remittance rose 5.6 percent to a record \$17.3 billion, a study by the Asian Development Bank showed that monies overseas Filipino workers send to their families

here are spent more on food than on education, health care, and durable goods.

"The results show that it is only for food share that the coefficient of the remittance is statistically significant," said the study entitled "Remittances and Household Behavior in the Philippines."

While 2009 remittances from abroad accounted for 10.8 percent of the country's gross domestic product, the study which was released last month said they did not contribute to creating domestic demand.

"These flows may also contribute to the creation of new social assets and services and community physical infrastructure such as schools, health centers, roads, and other community projects," the study said.

With the global financial crisis, these fund transfers were seen as possible sources of increasing domestic demand and rebalancing economic growth.

"Unlike the previous studies however, our estimations show that remittances to the Philippines do not have a significant influence on other items of expenditure, particularly investment spending on education, health care, and durable goods," the study said.

"In other words, the analysis in this paper does not support evidence of remittances contributing toward rebalancing growth by creating domestic demand," it added.

This study, which used 2000, 2003, and 2006 data from the Family Income and Expenditures Survey to analyze the role of remittances in household consumption, investment, and poverty reduction, showed that about 20 percent of all Filipino households receive remittances.

"And this fraction has been rising over time," it said.

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The study shows that richer households receive more remittances.

“While less than 10 percent of lower income households receive remittances, the proportion increases with income. These flows from abroad contribute as much as 15 percent to the incomes of the highest income quintile but just over 1 percent for the poorest quintile,” it said.

The study also shows that receiving households tend to be bigger with fewer employed members

compared to households that don't receive remittances.

This reflects “higher dependency ratio as a factor in attracting remittances,” it said.



US identity theft continues to rise - Javelin

The number of American identity fraud victims rose 12% last year to 11.1 million, with losses hitting \$54 billion, according to an annual report from Javelin Strategy & Research.

The survey of 5,000 US adults - sponsored by Wells Fargo, the Identity Theft Assistance Centre, Fiserv and Intersections - shows the second consecutive rise in ID theft, leaving it at its highest rate since the report's first outing in 2003.

The number of fraudulent new credit card accounts increased to 39% of all identity fraud victims, up from 33% in 2008. New online accounts opened fraudulently more than doubled over the previous year, and the number of new e-mail payment accounts increased 12%. Thieves are also opening up new mobile phone accounts - 29% of the victims have had their information used for this purpose.

Javelin says this is in part due to the economic downturn but also cites the fact that fraudsters are becoming increasingly savvy with technology and are using personal information stolen in data breaches to open new accounts or to make changes to existing non-card accounts.

However, consumers are also using technology as a means to fight theft, monitoring their accounts more frequently online and through mobile alerts.

Meanwhile, banks are tackling the problem by providing more behind-the-scenes customer and analytic tools for safer electronic and traditional banking. They are investing in identity fraud monitoring, intelligent fraud engines to detect account access and payment anomalies, and resolution and education services, typically offering these services free to customers.

Consumers and businesses are also protecting data better and resolving fraud more quickly. Average fraud resolution time dropped 30% to 21 hours in 2009 and nearly half of new victims file police reports, resulting in double the reported arrests, triple the prosecutions, and double the percentage of convictions.

In addition, victims who have their data stolen face average out-of-pocket losses of \$373, down from \$498 in 2008.

James Van Dyke, president, Javelin, says: "The 2010 Identity Fraud Report shows that fraud increased for the second straight year and is at the highest rate since Javelin began this report in 2003. The good news is consumers are getting more aggressive in monitoring, detecting and preventing fraud with the help of technology and partnerships with financial institutions, government agencies and resolution services."



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Remittances, Africa and the effects of the Financial Crisis

In a recently published Working Paper “The Global Financial Crisis and Workers’ Remittances to Africa: What’s the Damage?” Adolfo Barajas, Ralph Chami, Connel Fullenkamp, and Anjali Garg estimate the impact of the global economic crisis on African GDP via the remittance channel during 2009-2010. The data and its interpretation forecasts remittance declines into African countries of between 3 and 14 percentage points, with migrants to Europe hardest hit while migrants within Africa relatively unaffected by the crisis. The estimated impact on GDP for relatively remittance-dependent countries is 2 percent for 2009, but will likely be short-lived, as host country income is projected to rise in 2010.

The paper is available for download at <http://www.imf.org/external/pubs/ft/wp/2010/wp1024.pdf>



Operations Risk



India

PayPal payments suspended for 'at least a few months'

PayPal said a ban on personal transactions to and from India will continue for "at least a few months" while the online payment service tries to resolve a problem with local regulators.

The ban, which began Saturday and caught PayPal users in the country by surprise, relates to whether personal payments constitute "remittances," or money sent home by people working abroad, the company said in a blog post Tuesday.

"We temporarily suspended these services to respond to enquiries from the Indian regulators, specifically questions on whether personal payments constitute remittances into India," PayPal said.

The company is working with regulators and bank processing companies to resolve the problem as soon as possible, it said. But "personal payments to and from India will be suspended for at least a few months until we fully resolve the questions from the Indian regulators."

"We realize that this is causing considerable inconvenience to our customers and I want to reassure you that this is a top priority for the leadership at PayPal," the company said.

PayPal notified users on Saturday that personal payments to and from India had been suspended, as well as transfers to local banks. Customers can still make commercial payments

to India, but merchants can't withdraw funds in rupees to local banks, the company said.

On Tuesday it said customers should be able to withdraw funds to a local bank within a few days. But for now it can do nothing to facilitate personal transactions.

The problems may have been triggered by a marketing push that promotes PayPal as a way to send money abroad, a source familiar with the matter said. The campaign - which reads "As low as \$1.50 to send \$300 to countries like India" - may have caught the attention of Indian regulators, the source said.

Some Indians use PayPal to receive payments for services in the country such as software development. The suspension of payments appeared to catch many by surprise and has generated more than 150 pages of comments in an online discussion thread.

Some expressed frustration that PayPal had apparently suspended payments without warning, and said they learned only from buyers that payments from overseas had been returned.

PayPal processed more than US\$4 billion of payments in the Asia Pacific region in 2008, a PayPal spokesman said. Its largest market in that region was Australia. The company processed \$60 billion in payments worldwide in 2008.

RBI - banks must meet Basle II operational risk standards

Indian banks must meet minimum standards for managing their operational risk, including

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capturing of operational loss data, the central bank said recently. Banks would have to map their activities into eight business lines, the Reserve Bank of India (RBI) said in a recent notification.

The RBI also released draft guidelines on the standardized approach for calculating of capital charge for operational risk. The full draft is available on the central bank's website www.rbi.org.in

United States

Bank slammed after hackers steal \$378,000 from Poughkeepsie

Officials from Poughkeepsie have criticised TD Bank after hackers broke into the US town's account, stole \$378,000 and transferred it to the Ukraine.

On 11 and 12 January, hackers made several attempts to access the town's bank account with TD. They successfully made four transfers worth \$378,000 to accounts at banks in the Ukraine although \$95,000 has since been recovered.

The town says that once the transactions were discovered on 13 January, the bank was immediately notified of the activity and the police were called in to investigate.

To prevent any other accounts from being compromised the town changed all the account numbers and the computers involved were removed and handed over to the Secret Service.

However, officials have slammed TD Bank for its conduct, saying in a statement: "We find it unacceptable that movement, or attempted movement, of money from a Town account to an account in Eastern Europe did not immediately raise a 'red flag' with the bank, was not questioned by anyone at the bank, but was simply processed."

The statement, read by supervisor Patricia Myers, continues: "We are equally disappointed that in the three weeks since the thefts were detected, no representative from TD Bank has come to Town Hall to speak with us about the situation."

The FBI recently warned of a "significant increase" in fraud involving the exploitation of valid online banking credentials belonging to small and medium businesses, municipal governments, and school districts.

Former Goldman programmer indicted over HFT code theft

Former Goldman Sachs computer programmer Sergey Aleynikov has been indicted on charges related to the theft of propriety code connected to the investment bank's high-frequency trading platform.

Aleynikov has been charged in a three count indictment with theft of trade secrets, transportation of stolen property in foreign commerce and unauthorized computer access. He faces a maximum of 25 years in prison.

The accused worked for Goldman from May 2007 to June 2009, where he developed computer programs supporting the firm's high-frequency trading on various commodities and equities markets.

The programmer then quit Goldman to help develop a HFT platform for Teza Technologies, a Chicago-based start-up formed by ex-Citadel executive Mikhail Malyshev.

Prosecutors allege that on his last day working for the bank, Aleynikov transferred "substantial portions" of Goldman Sachs's proprietary computer code for its trading platform to an outside computer server in Germany.

He encrypted the files and transferred them over the Internet and then deleted "the program he used to encrypt the files and deleted his computer's "bash history," which records the

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most recent commands executed on his computer".

In addition, he had already transferred "thousands of computer code files" related to the firm's proprietary trading program to his home computers during his two years working there.

He did this by e-mailing the code files from his Goldman Sachs account to his personal one and storing versions of the code files on his home computers, laptop, a flash drive and other storage devices, say prosecutors.

On 2 July Aleynikov flew to Chicago to meet Teza, taking a laptop and storage device holding Goldman proprietary code. He was arrested the following day at Newark airport.

Goldman's HFT platform - which it took control of in 1999 through the acquisition of Hull Trading Company for \$500 million - generated the firm "millions of dollars per year in profits".

FBI assistant director-in-charge Demarest says: "Proprietary information and trade secrets are sometimes the most valuable assets of a business. The computer code Aleynikov copied was worth millions."

Algorithmic trading code theft case dropped

UBS has lost its bid to get a permanent injunction against three former quant traders accused of stealing proprietary algorithmic trading software with the intent of using it at their new employer, Jefferies.

Last March the Swiss bank filed suit against the head of its North American quant trading desk Jatin Suryawanshi and two of his colleagues Partha Sarkar and Sanjay Girdhar, who have since joined rival broker Jefferies alleging that they conspired to steal more than 250,000 lines of source code relating to its top secret algorithmic trading programs.

In response, the men commenced arbitration before the Financial Industry Regulatory Authority (Finra). This meant the state court action was stayed and the question of whether a permanent injunction should be issued against them, prohibiting the use or disclosure of UBS source code, was placed before a Finra arbitration panel.

In late December, Finra's arbitration panel denied UBS's request for a permanent injunction. The bank has also since dropped damage claims against the three men.

Last week former Goldman Sachs computer programmer Sergey Aleynikov was indicted on charges related to the theft of propriety code connected to the investment bank's high-frequency trading platform (see previous story).

Aleynikov left Goldman to join Teza Technologies, a Chicago-based start-up formed by ex-Citadel executive Mikhail Malyshev.

In October Teza CIO William Sterling told a Chicago judge in a case brought by Citadel that one of the firm's programmer developed code relating to data storage while still a UBS employee, but insisted the high-frequency trading start-up did not use it.

Iceman gets 13 years for massive card data theft

A Californian hacker known by the Internet alias 'Iceman' has been sentenced to 13 years in jail for stealing nearly two million credit card numbers. According to press reports, Max Ray Vision has also been ordered to pay \$27.5 million in restitution and to serve five years under court supervision after he is released.

Vision was indicted by a federal grand jury in Pittsburgh on three counts of wire fraud and two counts of transferring stolen information in 2007.

Between 2005 and his arrest he hacked into secure computer systems connected to the

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Internet, including those located at banks and credit card processing centres, in order to steal account information and other personal ID data that he could sell on to others.

In addition, Vision ran a forum, called Cardersmarket, that was used by thousands of fraudsters to buy and sell stolen credit card data and coordinate illegal activities.

Vision could have faced 30 years to life in prison based on federal sentencing guidelines but prosecutors agreed to the lesser sentence because he has worked with the government since arrest. However, the term is still the longest for hacking in US history.

Cash management firm boss charged with stealing \$12m from client bank's ATMs

The president of a US cash management company has been arrested on charges of defrauding a bank for which it replenishes ATMs of around \$12 million.

According to a complaint filed in a Manhattan federal court, Robert Egan, president of Mount Vernon Money Centre (MVMC), has been charged with defrauding Webster Bank.

MVMC had a contract with Webster to stock 162 of the bank's ATMs. Under the deal, Webster would wire the funds needed to replenish cash machines to a Bank of America account to which MVMC had access.

MVMC would collect the cash and take it to its own vault and fill ATM "canisters" before visiting machines and restocking them.

The canisters removed from the ATMs by MVMC employees typically contained "residual cash" that was supposed to be returned to Webster or retained by MVMC for the benefit of the bank.

However, according to prosecutors, in January, on eight separate occasions, "under Egan's direction" MVMC falsely represented that it had returned the cash or was retaining it in its own vault for the benefit of Webster Bank.

"In fact, Egan failed to return over \$12 million of Webster Bank's money to Webster Bank, and instead misappropriated the money for use in MVMC's business operations," says a statement.

Prosecutors say Egan admitted to taking the money in a recorded conversation and used it to fund "shortfalls" related to other clients.

US Attorney Preet Bharara, says: "Banks holding the hard-earned deposits of working people entrusted tens of millions of dollars to MVMC and Robert Egan, its president. Egan allegedly abused that trust by using other people's money to prop up his own company."

Egan is charged with one count of conspiracy to commit bank fraud, which carries a maximum prison term of 30 years and a maximum fine of \$1,000,000 or twice the gain or loss resulting from the crime.



Regulatory Changes to Hit US Banks Hardest, Predicts Fitch

Regulatory changes to capital and liquidity requirements are likely to have the greatest effect on US banks as the recovery starts to unfold, predict ratings analysts at Fitch. "We ourselves have more questions than answers at this point," admitted Christopher Wolfe, managing director of corporate finance at Fitch, speaking at the ratings agency's event in London. "But one thing we think is going to change is that capital thresholds are going to be raised." This will have a material impact on US banks' operations.

The proposed - and hotly debated - stronger delineation between 'traditional' bank activities and market activities is also set to have a strong impact, although other changes were likely to come sooner. Wolfe also warned that holding higher levels of liquidity carries with it many risks. "Of course that sounds great and we should all be happy about it," he said, "but there is a cost associated with carrying money that is not doing anything."

However, recovery is still some way off, according to the ratings agency's latest outlook on the US, Latin American and Asian banks. "The situation is not worse but there are no signs of improvement," Wolfe said. "No-one knows [precisely] what the answer is." Last year, 140 US banks failed, although around half of the failures were concentrated in the states of Georgia, Illinois, California and Florida.

Government support helped ensure that the strongest banks, such as Citigroup and Bank of America, have retained high long-term ratings, even when their individual ratings have dropped sharply. By contrast, Canadian banks' outlooks remain stable, with no bank failures and stable domestic institutional funding sources and consumer deposit base.

A "big contrast" has emerged between emerging markets in central and eastern Europe (CEE) and those in Asia and Latin America. Particularly in the latter region, local economies have proved more resilient, while developing local capital markets have been able to provide funding alternatives for banks. Peter Shaw, managing director for Latin American Institutions at Fitch, said that certain countries' recent performance stood out in this respect. "Brazil's economy has improved much quicker than we expected," he said. He added that even though the country was among the most exposed of the Latin American countries to foreign economies, the exposure was still very small. Mexico has also seen an improvement in margins as banks have begun to lend once more to the private sector, making for a more diversified loan mix. However, Shaw points to a "sluggish" economic outlook because of continuing low interest rates and limited potential balance sheet growth, which will threaten margins in future.

Australia led the Asia-Pacific region, with a successful turnaround following the initial shocks of the

credit crisis. This can be attributed to a swift government response, as well as the strong effect of continued demands on its tourism and education markets from Asia.

"Non-performing loans [NPLs] did pick up sharply - but this was from a very low base," said Peter Tebbutt, senior director, financial institutions, Asia at Fitch. Overall, Asia has been relatively unaffected by the crisis - with the exception of export-oriented countries such as Japan, Taiwan and Korea, which suffered the knock-on effect of the slowdown in demand for consumer goods in the West. "But," Tebbutt added, "Korea has held up better than expected, as the government took rapid and decisive action in a number of areas when the crisis first hit."

However, he warned of over-investment, in China, warning that, although China has seen a rise in gross domestic product (GDP), this would prove worthless if it was the result of overzealous government investment.



Mobile Banking



Egypt

BNP Paribas to ramp up mobile banking in Egypt

BNP Paribas' Egyptian unit intends to ramp up retail banking operations, aided by its expected approval of a mobile banking license applied in partnership with Mobinil by March 2010, reported Reuters.

The product, called M-Wallet, is expected to extend the reach of BNP Paribas to rural areas by offering the ability to transfer money and at some point pay bills via mobile phone. Orascom Telecom, a major stakeholder in Mobinil, unveiled a similar service in Pakistan in 2009.

Philippe Joannier, head of territory and MdoF BNP Paribas Egypt, said: "We are expecting by

the end of the month or the middle of March at a maximum, to have an authorization to deal and to set up a system of mobile banking.

Reportedly, only 10% of the population has a bank account in Egypt but there are more than 55 million mobile telephone subscriptions of the 78 million people. Against this back drop, building a mobile banking network would not be easy. Mr. Joannier said: "In the last two years we have been strongly developing the retail side. I think that a retail banking network takes about 10 years to develop," reported the news agency.

So far, BNP Paribas had focused on corporate banking and fixed income and, to a lesser extent, custody operations that safeguard stocks and bonds for investors, in Egypt.

India

Mobile banking connects with the needy

The State Bank of India will soon offer no-frills savings accounts on mobile phones. The project is aimed at those who earn less than Rs 5,000 a month, own a mobile phone but do not have a bank account.

It is estimated that at least 36 per cent of the Indian population fall in this category. They include construction workers (often migrants), vegetable vendors, rickshaw pullers and railway porters.

The system involves the user, a business correspondent, a national-level entity associated with the business correspondent and the SBI.

The transaction of the user on the mobile will be with the business correspondent, which in turn will relay the transaction online, instantaneously, to the national-level entity and onwards to the SBI.

To promote financial inclusion, the Reserve Bank of India has allowed retired teachers, local grocers and public call office (PCO) operators to be hired as business correspondents, who are intermediaries of bankers.

These correspondents will collect deposits and help account holders withdraw cash. They will also sell financial products such as micro-insurance, mutual funds, recurring deposits and provide retail loans.

The correspondents, in turn, are agents of national-level business correspondent organizations, who have tie-ups with banks.

“A customer just needs to go to his local grocer, or a mobile recharge agent or a chemist to get a zero balance account. They can then deposit, withdraw, remit and check balance — all by just clicking a few buttons on the mobile phone,” Abhishek Sinha, CEO of Eko India Financial Services, told The Telegraph.

Eko is a national-level business correspondent, which the SBI has enrolled for its financial inclusion project.

“The biggest use of the phone for the customer is for remittance or sending money home — from say Delhi to his village in Jharkhand — without taking the trouble of visiting a bank branch or writing cheques and getting demand drafts made,” said Sinha.

The SBI plans to hire at least 40,000 business correspondents over the next few years. At present, the SBI has tied up with 10 national-level business correspondent organizations.

Eko operates the SBI mini-account project in New Delhi, the National Capital Region and Bihar and has over 11,000 customers in 350 outlets. “In a day, we have around 950 deposits or withdrawals involving over Rs 4,500,000 in transactions,” said Sinha.

Experts say banks need to leverage modern technologies such as the Internet, mobiles, smart cards and biometric authentication to provide banking and financial services to the rural population.

Last week, finance minister Pranab Mukherjee had urged banks and their technology partners to work together to reach out to those who don't have a bank account.

International

Barclaycard unveils mobile phone payment terminal

Barclaycard has unveiled a system that turns smart phones into chip and PIN card payment terminals at the Mobile World Congress in Barcelona.

Aimed at small business owners such as plumbers, electricians and market traders, the system will be piloted during the second half of the year ahead of a planned launch before Christmas.

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Merchants download an application onto their smart phone which acts as a virtual till - allowing them to enter a payment amount or pick from a price list of their products and services. They can also add a discount or apply loyalty features before completing the transaction.

The app then interacts with a small Chip and PIN device which enables the customer to enter their card and number. The cardholder will have the option to receive their receipt electronically via SMS and e-mail.

As well as processing card payments the app will allow the merchant to log any cash or cheque transactions to help with end-of-day reporting. The log will also allow them to view transactions over a wider period, for example the past week, month or year.

Paul Cook, MD, global payment acceptance, Barclaycard, says: "We understand how important convenient, widely accepted and guaranteed payment is to small businesses and also how mobile phones play an integral role in their life and their business. Developing a service which brings mobile and electronic card payments together in a simple compact solution illustrates how Barclaycard continues to develop innovations that make our customers lives easier."

In the US, Twitter co-founder Jack Dorsey recently unveiled Square, a similar system to turn mobile phones into payment card readers. However, Square requires customers to swipe their cards and 'write' their signature rather than enter their PIN. VeriFone has also launched a similar product.

Rwanda

Mobile money launched in Rwanda

The Governor of the National Bank of Rwanda Mr. Francois Kanimba has presided over the launch of MTN Mobile Money to the media at

MTN Centre in Nyarutarama in Rwanda. This new mobile banking product which is compliant with local banking regulations is a convenient, secure and affordable way of sending and receiving money anywhere from anywhere in Rwanda.

Customers on the MTN network can now sign up for MTN Mobile Money and begin transacting at will through the 120 agents that have been appointed and that located across the country. Those who are not on the MTN network are also able to receive money.

Mr. Khaled Mikkawi, the CEO of MTN Rwanda, described the launch as one of the most innovative initiatives that has been made available to Rwandans in recent times: 'We have a network reaching over 90% of the population and it is only right that we leverage this coverage for a common good product that will go a long way in the financial deepening of the Rwandan economy.'

MTN pioneered mobile banking in South Africa in 2005 in a partnership with Standard Bank and commercially launched in Uganda in March 2009. MTN Rwanda has partnered with BCR as the key driver financial institution.

Mr. Mikkawi expressed his gratitude to the Governor of the National Bank of Rwanda and the team at the bank for their resolute support with which we would not have been able to launch: 'I cannot thank the Governor enough for accepting our invitation to preside over this launch to the media. Sir we are humbled by you enthusiastic support and grateful for the opportunity MTN has to play a lead role in the economic and social transformation of Rwanda.' The National Bank of Rwanda has played a central role in ensuring the product and the project complied with banking regulations.

MTN Rwanda partnered with the largest specialist mobile financial services provider, Fundamo. Fundamo's leadership team has a strong background in the financial services industry and has applied the stringent design principles required for secure banking systems,

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whilst also taking full advantage of the unique characteristics of the mobile phone and the mobile user experience. This new style of mobile financial system represents a powerful convergence of the rigor of banking systems and the convenience, simplicity and ubiquity of mobile.

MTN Rwanda also work with Oscillyte Ltd, a consultancy firm that provides specialist strategy, marketing and product development skills and knowledge to organizations' active in the telecommunications market and mobile in particular. The firm's lead consultant Mark Guthrie has been Project Manager for MTN Mobile Money.

MTN Rwanda has planned an extensive communication campaign to sensitize the public on the benefits of MTN Mobile Money which include:

- Depositing cash into client's account at Mobile Money agent outlets
- Sending and receiving money from the convenience of a mobile phone
- Managing ones Mobile Money account
- Withdrawing cash at any MTN Mobile Money agent location.

South Africa

M-PESA to be launched in South Africa

M-PESA was launched by Vodafone affiliate Safaricom in Kenya in 2007 and now claims over eight million users in that country. A recent study suggests that more than 10% of Kenya's GDP now pass through the mobile banking service.

M-PESA has since been introduced in Tanzania and Afghanistan and now Vodacom South Africa has teamed with an unnamed local financial institution to target the 26 million people in that country without bank accounts. Vodafone says only 60% of South African adults have bank accounts but mobile penetration is over 94%.

Cenk Serdar, director, mobile payments, Vodafone, says: "Mobile technology in Africa has already improved the lives of millions simply by allowing them to communicate far beyond their immediate surroundings. It is now set to transform the way we send and receive cash. The successful take-up of M-PESA in Kenya has clearly demonstrated the demand for easily accessible, secure payment services particularly in emerging markets."

United States

Wells Fargo makes mobile text banking service available for non-online banking customers

US financial services provider Wells Fargo has made its text banking service available to all customers, including those who have yet to sign up for the bank's Online Banking service.

The service allows users to access their account information through their mobile phones via text queries. A text banking request to Wells Fargo can provide customers with their current available account balances, transaction history, credit card payment information, and the address of the nearest Wells Fargo ATM.

To activate the service, customers first need to visit wf.com/text from an internet-enabled mobile phone and provide their mobile phone number. They receive a "welcome" text message from Wells Fargo with instructions on how to use the service.

Within the Wells Fargo Mobile Text Banking, customer accounts are referred to only by nicknames, therefore account numbers, passwords or other personal information are not needed. Mobile Banking is covered by the bank's Online Security Guarantee policy.



Europeans Pay the Price for Dominance of Cash

Making payments in cash costs every person in Europe €130 a year, according to a study from Retail Banking Research (RBR). 2015 views 0 comments

The number of retail cashless payments grew by over 160% between 2000 and 2008, to 87 billion transactions. Of these, 90% were in Western Europe, 10% were in central and Eastern Europe and two-thirds were in the eurozone.

Yet, despite the "war on cash" being waged across the continent by, among others, the EC and European Payments Council, notes and coins remain the predominant retail payment method.

Cash payments accounted for 78% of the continent's 388 billion retail transactions in 2008. The total cost of distributing, managing, handling, processing and recycling cash and of accepting cash payments was €84 billion - equivalent to 0.6% of Europe's GDP or €130 per person.

RBR argues that previous attempts to justify the economics of cash substitution in Europe are no longer relevant and advocates a new approach based upon establishing the business case for different players in the payments market, especially for retailers who ultimately decide which payment methods to accept and incentivise, and who provide much of the infrastructure for accepting payments.

The study predicts that the move from cash will be driven by various factors, including the Payment Services Directive, SEPA, payment card interchange fees and merchant service charges.

Emerging technologies will also play a significant part, with contactless cards and mobile phones expected to grow in popularity over the next few years.

These factors will contribute to a fall of 2.3% per year in cash payments up to 2014. However, despite this slow decline, cash will remain the predominant payment method for some years to come, still representing 63% of the continent's 414 billion payments in 2014.





Payment, Settlement & Banking Systems



Europe

Regulators approve framework for clearing links

British, Dutch and Swiss regulators have agreed a new framework for linkages between clearing counterparties in an effort to allay fears about systemic risks and inject fresh competition into the market.

In October, LCH.Clearnet suspended plans to begin offering clearing services across a range of execution venues due to regulatory concerns about systemic weaknesses in clearing house interoperability arrangements.

The London-based clearing house alerted the market to the problems in a letter to shareholders in which it said regulators had expressed concerns regarding "inter-CCP margin requirements".

The new framework - which has yet to be published - has been agreed by market authorities in conjunction with the European Commission.

The Dutch-based European Multilateral Clearing Facility (EMCF) welcomed the breakthrough: "EMCF is happy that there is now clarity about the direction regulators are going with regard to interoperability. EMCF is busy studying the document, speaking to clearing participants, trading venues, regulators and other CCPs and will have a fuller statement next week after the conclusion of these meetings."

It is believed the document clarifies the conditions under which interoperable links will be approved, but is vague as to the precise controls that will need to be put in place to satisfy those conditions.

International

Visa turns mobile phone into a NFC payment device with DeviceFidelity

Visa Inc. is partnering with DeviceFidelity Inc. for marketing their joint solution that can enable a mobile phone with a memory card slot to be used as a Visa mobile payment device.

The new solution features a combination of Visa's contactless payment technology, Visa payWave, and DeviceFidelity's In2Pay™ technology. Thus, a mobile phone equipped with a microSD memory slot turns into a mobile contactless payment device. This way consumers will be able to make mobile Visa payWave transactions at any retail location that accepts contactless payments.

"Visa's goal is to develop innovative ways to bring the value of Visa digital currency to mobile users around the globe," said Dave Wentker, Head of Mobile Contactless Payments at Visa Inc. "Through our collaboration with DeviceFidelity, Visa is helping to accelerate the adoption of mobile contactless payments and pave the way for the global deployment of NFC-enabled devices."

"We're committed to helping the industry unlock the true promise of the mobile phone and deliver a new wirelessly connected payment offering that is faster, more secure, and more

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convenient than traditional forms of electronic payment,” said Deepak Jain, CEO of DeviceFidelity. “We are excited to be working

with Visa, the leading brand in payments, to make mobile payments a reality in countries around the globe.”



A hacked Twitter account could cost as much as \$1,000

Researchers at Kaspersky Lab report that hacked accounts of Twitter and other services are being sold online for hundreds of dollars.

Big money made on stolen data makes hacking programs and viruses very popular among cyber criminals. According to Kaspersky Researcher Dmitry Bestuzhev there were Gmail accounts for sale on Russian hacker forums, (asking price 2,500 roubles, or \$82) RapidShare accounts going for \$5 per month, as well as Skype, instant messaging and Facebook credentials on the underground forums.

The prices depend on the name of the account and the number of followers. However, the main focus of the attackers is an initial, trusted, stepping stone from which to send malicious Twitter messages and, ideally, infect more machines.

Bestuzhev said that one Twitter account, with just over 320 followers, was offered at \$1,000 in an underground hacker forum. The user's name was a simple three letter combination that Bestuzhev thought might make it more valuable to criminals. Compare that to an MSN account, which Bestuzhev has seen priced at €1 (\$1.40). "The price for Twitter accounts is really high," he said.



Regulation



International

FSA Chairman says past assumptions about the benefits of unlimited financial services liberalization and innovation have to be challenged

Policymakers and regulators have to be prepared to challenge recent assumptions about the unlimited expansion and liberalization of the global financial services sector, Lord Turner said recently.

Speaking at the Reserve Bank of India in Mumbai, Lord Turner, chairman of the Financial

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Services Authority (FSA), said that both the Asian crisis of 1997 and the recent crisis had made clear that expansion in the scale and sophistication of financial activity is not always beneficial to the global economy. While a consensus has developed over the last two decades in support of ever greater growth and liberalization of financial markets, this has been based on ideology more than on firm evidence.

Instead, the evidence of both the financial crises of the last 13 years is that there are inherent risks in this ideology. The Asian crisis was rooted in short term capital flows which proved highly susceptible to irrationally exuberant momentum effects and to sudden contagious losses of confidence. The latest crisis was “rooted in over- exuberant credit extension in developed markets, and in the development of complex and opaque forms of securitized credit and of new and risky forms of maturity transformation”. Although speculators can play a useful role in providing liquidity and market information, it is also possible for speculators to produce “destabilizing and harmful herd and momentum effects”.

There is now growing agreement about the regulatory change needed to create a more stable system, such as higher bank capital and liquidity and more capital against trading books. But these responses do not address more fundamental questions such as the macroeconomic impact of volatility in the supply and demand for credit.

Lord Turner said that policymakers need to identify the fundamental drivers of past, as well as the latest, financial crises and should be open to policy options that have been excluded by the free market consensus of the last two decades:

- Developed countries should consider macro-prudential tools to control credit expansion – particularly in an upswing. This could be done by countercyclical variations in banks’ capital or liquidity requirements, which may need to be applied at a sectorally specific level (for

instance to constrain commercial real estate lending).

- Policy instruments such as taxes which place constraints on short-term speculative inflows may be particularly relevant for some emerging economies.
- A variety of levers focused on ‘putting sand in the wheels’ of short-term speculative trading should be considered. Increasing capital against bank trading activities is the key priority but transaction taxes should not be excluded, despite the practical difficulties of implementing them.

Lord Turner concluded:

“The sensible conclusion on the overall benefits of increased financial activity, liquidity and innovation is that it is valuable in some markets, but not in all markets and not limitlessly. The problem for regulators and central bankers is that this conclusion does not provide us with nice easy answers on which to base policy. It is much easier to proceed in life on the basis of a clearly defined and simple credo which provides the answer to all specific issues. But it is more likely produce good results if we live in the real world of complex trade-offs and of relationships which are true up to a point.”

Korea

Rigid regulations retard mobile banking and payments

Smartphones are gaining popularity in Korea, but consumers are growing frustrated about the government rules controlling financial services on mobile devices.

Once a hard sell here, smartphones are now flying off shelves, thanks to the emergence of intriguing devices such as the Apple iPhone and Samsung Electronics' Omnia II. As the high-end handsets work more like handheld computers than phones, supporting Web browsing, e-mail, video, music and games as well as voice, their rising popularity has been generating excitement

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for a long-awaited mobile Internet explosion here.

And among the inspired were banks, credit card companies and online retailers, as they drooled over the idea of mobile users having their handsets masquerading as banknotes and credit cards.

However, it appears that aspirations for a mobile wallet should be put on hold for now. In setting the safety guidelines for financial services provided on smartphones, the Financial Supervisory Service (FSS) has said that all financial transactions on these advanced handsets should be subject to the same security requirements that control online transactions by computers.

The problem with this arrangement is that the existing legal framework was precisely what allowed Microsoft to establish a virtual monopoly in computer operating systems and Web browsers here, which is now blamed for having Korean computer users stuck with outdated technology and exposed to larger security risks.

Allowing a similar monoculture to take hold in smartphones may result in even greater awkwardness, especially when the U.S. software giant doesn't seem to have a prayer of matching its desktop dominance in the mobile world.

In essence, the current law states that all encrypted online communications on computers require the use of electronic signatures based on public-key certificates. And since the fall of Netscape in the early 2000s, Microsoft's Active-X controls on its Internet Explorer (IE) Web browsers remain as the only plug-in tool to download public-key certificates to computers.

This has prevented the users of non-Microsoft browsers such as Firefox, Chrome and Opera from banking and buying products online, and forced Mac users to buy Windows CDs to keep their devices from being reduced to fashion items.

"The FSS made a shockingly unwise move, considering that the measures won't add anything in improving the security of transactions on mobile devices," said Kim Kee-chang, a Korea University law professor who has led a series of legal actions against the financial authorities for their insistence on overwhelming Active-X use. He claims the country's computing experience is being held hostage by "tech-ignorant" government officials and opportunistic security software makers.

"Every problem will disappear once the mandate for public-key certificates is lifted, which will make every transaction on computers, smartphones and other data-enabled devices easier and safer. This is a rule that has worsened the country's Internet environment for over a decade, caused an immense amount of inconvenience, and retarded the advancement of local Web technology."

The FSS rules are already proving to be a massive letdown for consumers. Online book retailers Aladdin (www.aladdin.co.kr) and Yes 24 (www.yes24.com) had unveiled mobile payment programs for smartphone users earlier this year, but were forced to yank them off after credit card companies refused to accept them.

Major online retailers, such as the eBay-owned Auction (www.auction.co.kr) and Gmarket (www.gmarket.com), have yet to allow smartphone users to order products from their handsets.

Hana Bank was the first among Korean banks to introduce a mobile banking service for iPhone users earlier this year, but is now likely to be forced to rip apart and rewrite its programs to follow the FSS guidelines.

The FSS decision to mandate public-key certificates for financial services on smartphones is rather curious, considering that the existing mobile banking services enabled on simpler feature phones aren't affected by the same requirements.

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This is because the law on online transactions provide an "exception" clause that allows other verification methods to be used when public-key certificates aren't available, which had allowed banks and credit card companies the freedom to design their own mobile services.

"We have never once required anybody to rely on a certain technology by a certain company," said Choi Jae-hwan, who heads the information-technology team of FSS supervisory service bureau.

"We are having input in the discussions between the Ministry of Public Administration and Security and the Korea Internet and Security Agency (KISA) to establish the standard specification for technologies to download public-key certificates on mobile devices, so smartphone users won't have to wait for too much longer."

In requiring public-key certificates on smartphones, government officials claim that the iPhones and BlackBerries of the world are more computers than they are phones.

However, critics question why the FSS insists on so much complication when there are much simpler methods, such as text-message verifications, that are more effective for ensuring safe transactions than electronic signings.

Requiring users to download certain types of applications to enable financial services on their smartphones may also expose them to larger security risks, as it could provide a juicy blueprint for cyber criminals to disguise their malicious software, just as they exploit Active-X plug-ins in the desktop computing world.

Users of the iPhone would be less vulnerable, as Apple strictly monitors and controls the programs available on its App Store online applications store. However, smartphones powered by more open mobile platforms, such as the Google-backed Android, could fall fair game for tech theft should the country insist on a monoculture of mobile security technologies.

"Public-key certificates don't add another layer of protection beyond simple passwords, and they could be duplicated endlessly by just copying and pasting the NPKE folder from the hard disk drives to USBs and other storage devices," said Kim.

"Another problem is that public-key certificates could be renewed easily on the Internet without face-to-face verification, which makes it further irrelevant as a protection method. There should be verification methods beyond the Internet channel to secure the safety of transactions, and mobile-phone text messages or the security code cards of banks are already providing this."

