



# In Europe

MASTERCARD EUROPE - ISSUE 1 - JANUARY 2004



CHIP AUTHENTICATION PROGRAMME

## Editorial

This first edition of the New Year demonstrates the coming to fruition of a number of exciting projects and programme roll outs. The successful migration of Switch Processing in the UK, on time and on budget, to the MasterCard platform, generating economies of scale, plus the benefits of regional processing centres for 'Switch' banks, is cause for celebration. The Chip Authentication Programme currently taking off in Europe and Brazil, provides a unified solution for authenticating EMV smart card cardholders using PIN-based online authentication with calculator-sized portable readers.

There is also news from around the Europe region with co-branding and affinity cards under the spotlight in Poland, the Czech MasterCard Bank of the Year Award, and celebrations to commemorate 10 years of MasterCard activity in Turkey amongst others. The MasterCard Academy also has something to celebrate having now trained its 20,000th participant. The lucky delegate received a free training course plus VIP treatment in recognition of this event.

We are always pleased to receive your feedback, so if you have any comments about *In Europe* please send them to Sue Davies at [sue\\_davies@mastercard.com](mailto:sue_davies@mastercard.com)

## Welcome to *In Europe* 2004!

Last year brought many changes and developments: it was our first full year as MasterCard Europe. As we go into 2004 we are well on the way to meeting the objectives that drove the MasterCard and Europay integration – quicker time to market, eliminating duplication, leveraging the power of a global brand, to name but a few. One of the key principles of integration was that global resources, delivered locally would provide a win-win outcome for our customers, and this is a promise that has really come to life during the last 12 months.

We have rolled out many exciting new programmes across Europe, using innovation and creativity. For example, the RBS OneCard corporate programme is a great example of how flexibility can bring dividends to our customers. Our member banks can pick and mix card features and added value services that they know are appropriate for their cardholders. Contactless cards, mobile phones and person-to-person payments are other applications developed as a result of MasterCard's cutting edge technology, bringing benefits to cardholders around the globe.

The flip-side of the new payment channels such as the Internet has been cardholder concerns over security, which has tended to lower consumer confidence. The arrival of MasterCard® SecureCode™ is helping to ease these fears. SecureCode is now being taken up by merchants across Europe, bringing the benefits of secure online shopping to cardholders.



I am very pleased to report that the migration of Switch Processing in the UK to MasterCard's processing platform has been completed on time and on budget – bringing economies of scale and local delivery to Switch banks. I am also delighted to say that we surpassed the Maestro 10 million card milestone in the UK. We also launched domestic processing in Switzerland and the Czech Republic 2003, affirming our strength in this business segment.

One of my personal highlights of 2003, was our Europe Members' Forum in Prague. The world class speakers made this an exceptionally stimulating and successful event. It was also a wonderful opportunity to meet old friends. Finally, may I wish you all the best success in business, and happiness and well being in your private life for 2004.



Peter Hoch

# Successful Migration of all Switch Processing to MasterCard's Network

MasterCard Europe celebrated the end of 2003 with the successful migration of Switch transactions to the MasterCard platform. Last year, the owners of Switch – the United Kingdom's best known debit brand – decided to change the brand to Maestro and to migrate the processing to MasterCard.

All inter-bank Switch volume is now being processed by MasterCard's global processing platform. It has been tailored to accommodate the specific needs of Switch banks, cardholders and merchants. This illustrates how the same high quality processing network that links thousands of banks around the world everyday can equally well be used to process domestic transactions locally.

In Europe, MasterCard operates a state-of-the-art transaction processing environment, currently serving 42 countries with

core transaction processing services (connectivity, authorisation, clearing and settlement), enriched with a large range of value-added and supporting services. It also handles domestic transactions in over 20 different countries across Europe.

The processing activity for Switch is an excellent demonstration of how MasterCard

is delivering its twin track processing strategy – on the one hand offering economies of scale made possible by the centralisation of common functions, and on the other the deployment of Regional Service Centres, which address local market needs. Its combined technological solutions result in a truly integrated global platform, with regional service extensions operating from a common set of standards. The strategy ensures that European financial institutions can benefit from a technological platform that has global capability, is regionally sensitive and locally very efficient.

“This successful migration clearly demonstrates that MasterCard's excellent processing capabilities can be deployed equally well for domestic as for cross-border transactions. We have the willingness, the capability and the technology to deliver what our customers want,” said Bruno Baugnies, Senior Vice President and General Manager of Global Technology and Operations - Europe, MasterCard Europe.

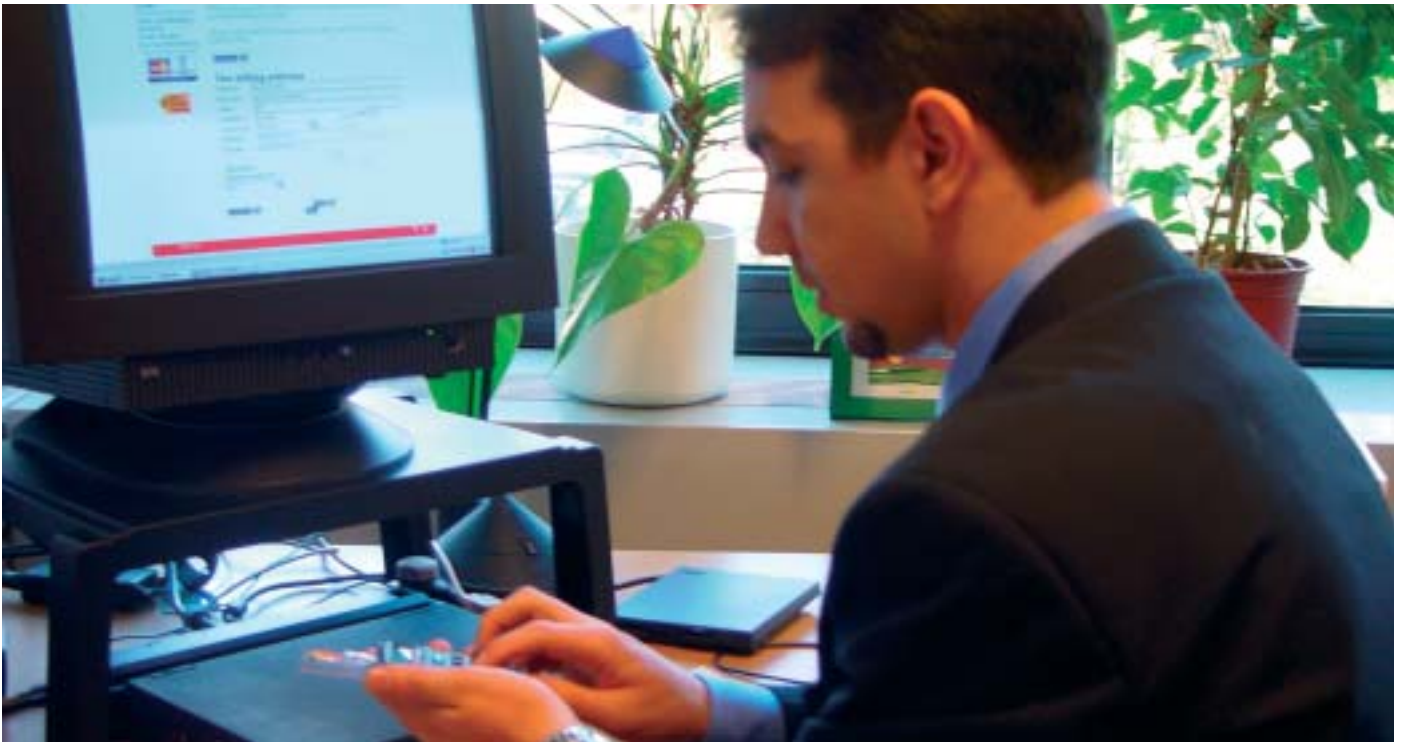


## Maestro Calendar Arrives!

The ever popular Maestro Calendar is now available. For the first time the calendar is being distributed globally, so the pictures illustrating the months show famous landmarks and scenes from around the world. Accompanying the calendar is a ready-to-load screensaver, helping to keep Maestro top-of-mind. If you haven't already received a copy and would like one please contact [tanya\\_davis\\_veyers@mastercard.com](mailto:tanya_davis_veyers@mastercard.com) ▶▶

Roger Alexander, Chief Executive of Switch commenting on the migration says, “Our partnership with MasterCard has so far proved very successful. MasterCard has been able to deliver the move to its processing network seamlessly and on time, with no interruption experienced by our customers.” ▶▶

## MasterCard's Chip Authentication Programme Makes its Mark in Europe and Brazil



MasterCard International recently announced three significant industry implementations introducing chip-based cardholder authentication for non face-to-face transactions. These implementations are the first in the world to provide a unified solution for authenticating EMV smart card cardholders using PIN-based online authentication with calculator-sized portable readers.

The three independent implementations are being run simultaneously by members across the world in Brazil, Germany, and the United Kingdom. The first initiative started in Germany on November 1st. In total, more than 50,000 cardholders across the world will be involved in the programme.

The new programme leverages the card issuer's investment in EMV smart cards and online cardholder authentication solutions, such as MasterCard® SecureCode™. Cardholders wishing to pay for goods and

services log onto a merchant site. When prompted, they insert their card into their portable reader and tap in their four-digit password. A dummy transaction is processed, enabling the PIN to be verified locally and the cardholder to be authenticated. The reader then generates a dynamic password, the MasterCard SecureCode, which is then typed into the prompted field on the screen. The SecureCode, normally an eight-digit number, does not contain any secret value and can only be verified by the bank. Issuers benefit from the fact that the solution leverages their existing or future EMV investments; merchants receive the benefits of guaranteed payments through MasterCard SecureCode; and cardholders gain new confidence and trust in the security of their e-commerce transactions.

"We're quite literally empowering the card through its chip," said Toni Merschen, Senior Vice-President and

Head of the Chip & M-Commerce Centre of Excellence, MasterCard International. "By combining a smart card of this kind along with MasterCard SecureCode and a reader the size of a pocket calculator, cardholders will be unlocking the potential of a chip card through a system that is portable, safe and easy to use. The card acts like an agent for the consumer and the issuer, providing a highly secure and convenient method to produce the cryptographic signature underwriting the essential data elements in an electronic purchase transaction." ▶▶



## Bank of Ireland Unveils Three New MasterCard Cards

The Bank of Ireland has unveiled three new MasterCard credit cards for its customers. The new Gold, Platinum and Standard 'Advantage' MasterCards



continue the innovative approach begun last year when Bank of Ireland became the first Irish bank to introduce 0% APR on its credit cards.

The Platinum MasterCard is being offered with some real benefits attached, as well as a very attractive interest rate. Customers are provided with insurance protection on items purchased using the card (€625 limit) as well as fully comprehensive travel insurance. This covers the cardholder and their family in the event of medical expenses (€6.4 million), personal accident (€200,000), lost baggage (€2,000), cancellation and curtailment (€2,000). To qualify for Platinum,

customers must earn in excess of €40,000 per annum.

The Gold Advantage MasterCard offers the cheapest APR for any Gold card at present in Ireland. It also offers the introductory option of either 0% on purchases for six months or a balance transfer rate of 2.9% for 12 months.

The Standard MasterCard, in a new departure, also provides the option of either six months interest-free purchases or a balance transfer rate of 2.9%, fixed for 12 months. Thereafter, customers benefit from the cheapest standard APR on the market of 16.8%, a reduction of 1.1% on the current rate. ▶▶

## Polish Banks Show the Way Forward on Co-branding and Affinity

Polish banks made impressive steps forward in the development of co-branding and affinity programmes in 2003. As a result, Poland can now claim to be the leading country in Eastern Europe in terms of MasterCard co-branding and affinity issuance, and among the most advanced countries in Europe in this sector.

Six co-branding and ten affinity programmes were launched in Poland in 2003, and eight Polish banks now have co-branding and affinity programmes based on MasterCard, MasterCard Electronic or Maestro. Leading the field is the bank BPH PBK, which received an award from the Polish Bank Card Association in 2003, recognising its work on several affinity programmes supporting social, educational and cultural goals. The bank's programmes include:

- Co-branding programme with Galeria Mokotow, the biggest and most popular shopping centre in Warsaw, enabling cardholders to benefit from discounts at over 120 merchants.
- Premium Club programme, a joint initiative with Statoil, Pizza Hut and KFC.
- Ten affinity programmes supporting, for example, Polish universities, theatre and child health projects.

Among the co-branding and affinity programmes developed by other Polish banks were:

- Onet.pl – LUKAS Bank, one of the most dynamic retail banks in Poland, and the biggest Polish internet portal have launched the Onet LUKAS Bank MasterCard credit card. It is the first credit card in Poland to be co-branded

with an internet portal, and the first LUKAS Bank card to carry the MasterCard brand.

- Bank PKO BP and PKN Orlen 'Vitya', a loyalty programme with the biggest petrol company in Poland.
- Raiffeisen Bank Polska and National Geographic.
- Kredyt Bank Bonus +, the transfer of paper vouchers into MasterCard Electronic.

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## Summer of Football in Portugal

An exciting UEFA EURO 2004™ Turnkey promotion has been launched to provide members with an invaluable tool to leverage this sponsorship property. The location of the tournament in Portugal helps ensure a wide appeal and increases the interest in all MasterCard promotions.

Portugal is not only a dream destination for football fans but also for their friends and family. As one of the main sponsors of the UEFA EURO 2004™ MasterCard is eager to explore all the aspects of the tournament that can help you build your MasterCard business.

The objective of the promotion is to encourage card usage while riding the wave of passion that goes along with a sporting event of this calibre. The promotional platform appeals to everyone by offering not only tickets to the UEFA EURO 2004™ Final but also an exclusive holiday at one of Portugal's most luxurious resorts after the event.

Full details of the promotion will be featured in the MasterCard UEFA EURO 2004™ Turnkey Promotion Toolkit. If you would like more information on the toolkit please contact [laurence\\_dupuis@mastercard.com](mailto:laurence_dupuis@mastercard.com) ►►



## MasterCard Academy Celebrates 20,000th Customer!

When Mr Steve Curtis of the Royal Bank of Scotland registered for the Chargeback course in London in September last year he became the 20,000th individual participant to register for a MasterCard Academy training programme.

The Academy, which last year also celebrated its first ten years of operation, was originally set up to train members on the network and systems of the then Europay International. Since then, it has gone from strength to strength. The course curriculum has continued to grow every year, and now there are 44 separate programmes. These range from courses such as How Chip Works, Managing Your Debit Portfolio and Security Programmes. As a result of demand, a new Promotional Solutions course, and a new Corporate Payment Solutions workshop have also been introduced. The overall aim of the MasterCard Academy remains the same: to enhance the profitability of MasterCard members by increasing the knowledge and skills of staff at all levels.

"The continued success of the Academy is testimony to the way in which we tailor our courses to meet the needs and requirements of our customers," said Andrew Slattery, who heads up the Academy. "MasterCard's global resources allow the Academy to bring best practice and recent developments from all over the world into the training room. The courses are updated each time they are given and participants can be assured they are receiving up-to-the-minute information," he continued.



Steve Curtis, as the 20,000th Academy course participant, will be taking the Chargeback Course as a guest of the Academy, with all expenses paid. "What better way to celebrate such a milestone than with one of our excellent training courses," said Andrew Slattery.

"I have always appreciated the MasterCard Academy events and have benefited from the knowledge of the trainers. The courses are also a great opportunity to meet people from around Europe who are doing similar work and to exchange experiences," said Steve.

"As the Academy's 20,000th customer I am extremely pleased. The Chargeback symposium is the first event of its kind, and demonstrates how MasterCard is leading the field. The carefully targeted audience and high level of discussion means that the whole experience has been invaluable – a prize that I and the Royal Bank of Scotland will help our dispute resolution team save money and time." ►►

## Ceská Sporitelna MasterCard Bank of the Year 2003 in the Czech Republic

Ceská Sporitelna, a member of the Erste Group, has won the MasterCard Bank of the Year Award in the Czech Republic for 2003. Komerční banka, a member of the Soci t  G n rale Group, was awarded Most Credible Bank of the Year and Most Dynamic Bank of the Year.

Although this is only the second time that the award has been presented it is already recognised as highly prestigious and is also an excellent guide to the Czech financial market for Czech citizens. The award ceremony and gala evening took place in historic Prague under the auspices of the 1st Deputy Prime Minister and Minister of Finance, Mr Bohuslav Sobotka, and included the



main representatives of the financial market in the Czech Republic as well as other VIP guests. The guest of honour was Mr Paolo Clarotti, an Honorary Director of the European Commission, who supported the MasterCard Bank of the Year 2003 Award, as well as the linking of the Czech and European financial markets. ▶▶

## Nadra Bank First in Ukraine to Issue MasterCard Electronic Credit Cards

Ukraine's Nadra bank has become the first Ukrainian bank to launch MasterCard Electronic credit cards, under the bank's 'Real Credit' promotion.

European Travel Network Ukraine, the international discount company is a

partner to the project. The card carries a corporate logo and is offering customers a 25% discount at Ukrainian merchant sites and locations.

This is a revolving credit programme, with customers required to make a minimum payment worth 7% of the amount of the outstandings plus interest.

One of the key benefits for cardholders is that Nadra's MasterCard Electronic card benefits from international functionality, whereas most other card programmes can only be used domestically. ▶▶

## Turkish Banking Industry Celebrates MasterCard Success

Over 250 leading figures in the Turkish banking industry joined MasterCard International senior management in September to honour the tenth anniversary of the opening of MasterCard's Istanbul office. They celebrated MasterCard's excellent record of innovation and growth in Turkey over the past decade at a gala dinner held at the Royal Mint in Istanbul's famous Topkapi Palace. As the birthplace of money in the Ottoman Empire, the Royal Mint was a fitting place to recognise the success and popularity of MasterCard's payment brands, both in Turkey and globally.

Since MasterCard's Istanbul office opened in 1993, it has followed a strategy of innovation, achieving many 'firsts' in the Turkish market: the first premium cards, the first virtual cards, the first distribution cards, and others.

Whilst Turkey is now a well developed market in terms of issuance and growth figures, staff in MasterCard's Istanbul office are also working with banks in much younger markets. In 1999, the office became the centre of MasterCard's Eurasia region, which comprises Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan and Tajikistan, as well as Turkey. ▶▶

### SAVE THE DATE

MasterCard Debit Conference  
Supporting Your Retail Banking  
Strategy  
Lisbon 1- 2 April 2004

## Banca Popolare di Milano, MasterCard and CartaSi, Launch Revolving BusinessCard



Banca Popolare di Milano (BPM), MasterCard and CartaSi have worked together to bring a revolving BusinessCard to Italian cardholders. The new credit card offers a flexible credit line for all business expenses and enables the banks' business customers to stagger their payments.

Dr Giancarlo Mondellini, Marketing Director of Banca Popolare di Milano said, "This innovative payment tool will help increase the efficiency of our business clients by enabling them to compete more effectively."



BPM Business Rateale offers a wide range of benefits and exclusive services addressed to small companies and

professionals. Business Customers receive a copy of the MasterCard Financial Resource Guide, helping them to access funding and training opportunities provided by the European Commission; MasterCard's Business Exclusives programmes, which include special deals with Dell, TNT and Regus; CartaSi insurance and assistance programmes and 'MasterCard Sicuramente', the zero liability feature sponsored by MasterCard.

Furthermore, BPM is offering a highly competitive interest rate and a toll free number that cardholders can use. BusinessCard customers will also be able to move the credit line from their card to the current account in order to meet urgent needs. ▶▶

## Finnair Chooses MasterCard

Finnair together with Nordea Finance in Finland have chosen MasterCard as their new card partner, replacing another card scheme. Jukka Koivu, Marketing Director at Nordea Finance says, "MasterCard is accepted at more than 30 million locations worldwide, thus allowing cardholders to collect points more frequently than before."

The Finnair Plus frequent flyer programme has grown rapidly since its launch in 1992. There are now more than 400,000 registered Finnair Plus members in Finland and numbers are growing each year. For each euro spent on the new MasterCard card cardholders will earn one Finnair Plus point.

"We have received very positive response from our customers since we broke the news about upgrading our co-branding programme," says Kari Heinonen, Director Customer Relationship Marketing.

"We are of course thrilled about partnering with Finnair, one of the most respected companies in the Nordic region," says Peter Hernberg, Account Director at MasterCard Europe. The new Finnair Plus MasterCard card programme was launched in early January. ▶▶



If you have any comments or ideas about *In Europe* please send them to [sue\\_davies@mastercard.com](mailto:sue_davies@mastercard.com)

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