

MasterCard  
International



# In Europe

MASTERCARD EUROPE - ISSUE 1 - JANUARY 2005



EUROPE - CHIPPED AND READY TO GO!

## Editorial

In this month's *In Europe* chip migration takes centre stage. Europe is the largest chip market, and while the drivers for chip vary from country to country, what is certain is that migration is really speeding up. Inside these pages we focus at what is happening in a number of countries and look at how OneSMART™ clubs are bringing together MasterCard customers and industry specialists to support chip roll out, by helping to turn ideas into actions then into profitable card programmes.

Leading the way in making payments even faster is PayPass™, a 'tap and go' contactless solution, ideal for where speed is of the essence. Quick-serve restaurants, petrol stations and tollways are the sort of outlets that will really gain from this technology.

As usual we also take a look at some innovative and exciting initiatives in Europe, including the roll out of a new multi-card in Israel, an 'access' card from Cornèr bank in glamorous Engadin/St.Moritz in Switzerland that is making life easier for skiers, and the successful Swedish ICA card that earned ICA bank the Bank Card of the Year Award.

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)

## 4th MasterCard Europe Debit Conference, Geneva, 10-11 March 2005

This year will see the start of one of the biggest changes to the payments industry to affect debit. The European Central Bank and the European Commission are turning to the European banking community to make the Single European Payments Area a reality.

This year's annual MasterCard Debit conference will be putting SEPA high on the agenda. Key speakers from the European Central Bank, the European Commission, banking and retailing experts, along with MasterCard executives will ensure perspectives from across the industry. This important event will give delegates the opportunity to contribute their views and get to the heart of the debate.

The conference is designed to be thought provoking and interactive. Specialist workshop sessions will give delegates the opportunity to explore many of the visionary ideas expressed during plenary and panel sessions, and will also give you the opportunity to share your views with other key players.



The conference venue is the beautiful City of Geneva, in the magnificent Hotel President Wilson, conveniently situated in the heart of the city and 10 minutes from the airport.

To register for the conference online go to: [http://programs.regweb.com/mastercard/debit2005\\_geneva](http://programs.regweb.com/mastercard/debit2005_geneva) (password is 'debit')

For more information or enquiries please contact Georges Togias at: [georges\\_togias@mastercard.com](mailto:georges_togias@mastercard.com) or Tel. + 32 2 352 5657.

We look forward to meeting you in Geneva. ▶▶

## All-in-one Access Card with MasterCard and Cornèr Bank

If you are heading for the ski slopes of Engadin/St. Moritz you can avoid long waits at the ticket booth with the new VIP ENGADINcard, the first credit card with access technology. Developed by Cornèr Bank, Lugano, Switzerland, MasterCard and security technology specialists Kudelski, this futuristic credit card includes a contactless access function.

An additional chip integrated into the card means it is possible to reserve access to the slopes online, and pay for buses, car-parking, and hotel rooms on arrival, ensuring a stress free stay. This means you can book your ski lift pass for example via the Internet at home, pay directly with your VIP ENGADINcard and have your access authorisation

forwarded directly to the admission location where you just walk through.

The SnowDays service also means that cardholders benefit from an 8% discount on half-day and all-day ski passes throughout the Graubünden Canton. Furthermore every purchase with the card generates bonus points that can be redeemed at selected partners for attractive awards. Plans for the future include extending the access facilities to sports stadiums, cinemas and other event locations.

Pierre-Alain Gubelmann, Marketing & Sales Manager, for Cornèr Bank



commenting on the launch says: "This is an extremely innovative card which is using chip technology to add real-value for our customers, offering them increased convenience plus a relaxed and congenial stay in Engadin."

For further information on the VIP ENGADINcard please consult [www.cornercard.ch](http://www.cornercard.ch) or contact:

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## Televised Priceless Evening Draws Top UK Music Talent

Building on its well established music credentials driven by sponsorship of the BRIT Awards MasterCard made its first move in the UK into television programming at the end of last year, with an exclusive *Priceless* evening. Open only to MasterCard cardholders, the event, screened on Channel 4 – one of the UK's main TV Channels – featured top talent: Ronan Keating, Gabrielle, Katie Melua, Jamie Cullum, Lucie Silvas and Amy Winehouse. This was the first time these artists have appeared live together. The evening was hosted by Denise Van Outen, one of the UK's most popular celebrity presenters.

This is the second MasterCard *Priceless* evening to be hosted in the UK, and the first to be televised. Over three million cardholders received mailings from issuing banks with competitions for this



prestigious event, and tickets available by invitation only from MasterCard ensured it was a truly *Priceless* evening. While the show itself was a real money can't buy experience, the Channel 4 broadcast extended its reach to a wider audience. A late night showing three days after the live event achieved viewing figures topping 1 million. The evening was a huge business and musical success which put the MasterCard brand together with the emotional connector of music to create an outstanding show.

To create more cardholder benefits and drive card usage, MasterCard also partnered with Virgin Megastores to

offer cardholders a 10% discount off all the artists' current and back catalogue CDs online until the end of December, helping to catch additional seasonal sales.

Rita Broe, who heads up marketing in the UK and northern Europe says: "The MasterCard *Priceless* evening is a logical extension of our music sponsorship strategy that brings our *Priceless* advertising campaign to life. Our flagship music property – the BRIT Awards happens in February – so this event helps drive the message that music and MasterCard are inextricably linked."



## Europe – Chipped and Ready to Go!

If someone asked you how many chip implementation projects MasterCard Europe was involved in in 2004, what would you say? 100? 250? 300? The answer, in fact, is over 500 (including extensions to previous implementations), with almost 200 new projects being started last year alone. Furthermore, an additional 200 new chip implementation projects are scheduled for 2005. And, it is worth remembering, that this level of activity is going on globally – while Europe is the largest chip market, Asia Pacific is now the fastest growing.

Figures such as these really show how far and how fast our work with customers on EMV chip is progressing. By the end of last year, over 50% of financial institutions in Europe's sixteen key markets were ready to process chip.

In the meantime, we are still seeing differences in the rate at which different countries and regions of Europe are migrating. "MasterCard's chip strategy has been to manage EMV chip migration by business principles, not by mandates. So the differences we are seeing in terms of the rate of migration in different markets is a natural consequence of this," explains Arne Pache, Vice President Chip Product Management.



"What we tend to see," he continues, "is that the drivers for chip migration vary from country to country, and this in turn influences the way they migrate cards and terminals. For example, countries with a focus on fraud reduction are more likely to take an accelerated approach to introducing EMV chip, while markets that are more interested in the marketing potential of chip for bank customers and merchants, design their chip projects accordingly."

"Despite this wide spectrum of activities, chip implementation has really gained momentum now, and we are seeing good growth of chip-based traffic through the networks," he continues. "And whatever chip path each market or member chooses, MasterCard is committed to using its local and global expertise to help them."

### COUNTRY CASE STUDIES

So how do trends like 'diversity' and 'momentum' translate into real-life projects and progress? Well, let's look at the status of chip migration in a

selection of European countries.

In the **UK** – where the roll out of chip and the introduction of PIN at the POS (for debit and credit transactions) has been happening simultaneously, the key driver is domestic fraud reduction. The migration of virtually all cards and terminals is on course to be finished this year, a significant achievement by all the issuers, acquirers and merchants involved. Banks are now ready to explore chip's value-added functionality as well.

In **Luxembourg** migration is scheduled to be completed by the beginning of this year; and **Belgium** too has almost completed its credit migration. In the **Netherlands**, chip migration is due to begin later in the year.

In **France**, the migration from the old domestic chip standard to EMV is motivated by the desire to maintain low domestic fraud levels, to reduce cross-border fraud, and to support the global standard. Progress is good, with acquirer migration due to be finished in 2005, and issuer migration in 2006.

Chip migration in **Germany** is being led by debit issuing, with Maestro migration on track with the majority of cards (60 m.) to be completed in 2007. At the same time the second largest banking group will reissue its credit card portfolio with an EMV chip early this year.

In **Turkey**, in contrast, chip migration is being led by credit issuing. The majority of banks are motivated by the desire to reduce fraud and operational costs, and also to keep up with the competition. Two of the most innovative chip loyalty programmes in Turkey are:

the Bonus Card, issued by Garanti Bankasi; and the Axess card from Akbank. The tremendous success of these multi-retailer, bank-driven programmes have already resulted in 3 million new cards and a doubling of volumes.

The countries of **southern Europe** present a varied picture in terms of chip implementation. Migration plans are being driven by fraud, but there is also a strong requirement by banks for value-added functionality. In **Italy** chip migration is underway. **Spain**, meanwhile, is focusing on the acquiring side, and specifically on acceptance locations that are key for international traffic – it is estimated that migrating

8% of POS terminals to EMV chip would cover approximately 90% of cross-border transactions. In the small area of **Andorra**, high in the Pyrenees between France and Spain, Credit Andorra has just announced that it has started replacing its MasterCard cards with MasterCard chip cards.

### ONE SMART CLUBS TO DRIVE DEVELOPMENT

Eastern Europe often at the forefront of chip migration was recently the subject of another milestone in MasterCard's work on chip, with the launch of the first *OneSMART™* Club in Europe.

*OneSMART* Clubs bring together MasterCard customers and industry suppliers in order to support the roll-out of added-value chip-based business solutions, and there are already clubs operating successfully in Taiwan, Malaysia, New Zealand and South Africa. The Eastern Europe club was launched with financial institutions from Croatia, Czech Republic, Hungary, Poland, Slovakia and Slovenia – who have indicated their commitment to the club, as have chip technology vendors.

'In terms of introducing chip products and technology, some of our customers in Eastern Europe have been among the most dynamic in Europe,' comments Zdenek

Houser, general manager for MasterCard's activities in Croatia and Hungary. 'Now, with the launch of the *OneSMART* Club, we expect to see even further commitment and activity in this region.'

The *OneSMART* Club will initially focus on three added-value chip business propositions:

- ***OneSMART* MasterCard Authentication** – a chip package that ensures a higher level of security for online shopping and remote banking, using Maestro or MasterCard chip cards and a handheld, unconnected card reader.
- ***OneSMART* MasterCard Web** – allows cardholders to securely store and manage a wide range of personal data (such as names, addresses, URLs, log-on passwords) on the smart card chip to increase convenience for online shopping.
- ***OneSMART* MasterCard Pre-Authorized** – a new chip-based payment solution suitable for new markets and off-line payment environments. Cardholders identify funds from their current account to be used only with *OneSmart* Pre-Authorized, and all payments are then authorized offline until a counter on the chip card indicates that the funds have been exhausted.

According to Fikret Ates, vice president, Product Management at MasterCard's Chip Centre of Excellence, the importance of the launch of the *OneSMART* Club goes far beyond the six countries whose members are currently involved: 'The creation of *OneSMART* Clubs across Europe is designed to act as a catalyst, helping to turn new business propositions into tangible pilots and, later on, into profitable card programmes. The expertise and progress we generate will filter through to chip migration projects all over Europe, and beyond.'



## ICA MasterCard Bankcard of the year in Sweden 2004



Swedish magazine *Private Business* has awarded ICA MasterCard its prestigious Bank card of the year award. The award is made for the most successful payment card from the perspective of the cardholder. In making the award the jury highlighted the card's key features, "Using the ICA card the bank's customers will not be charged withdrawal fees or any extra currency rates during their stay abroad. We would like to reward the ICA bank for their customer friendly payment system, used today as frequently as cash."

As one of the leading food store chains in Sweden, ICA is a real success story. They built their own ICA brand that is used in their stores in combination with other classic brands. A few years ago they set up their own bank, and in association with MasterCard their own credit card. Since the launch 140,000 new cards have been issued, 90% of which have been ICA Bankcard Plus – the combined debit and credit card which won the award.

"Satisfied customers are clearly the mark of success. And as this award demonstrates it is our customers who have been our best marketers," says Jörgen Wennberg, CEO of ICA Bank. ▶▶

## Leumi-Card – Changing the Face of Payments in Israel

A leading credit card provider in Israel has come up with a product that could change the country's banking and consumer culture.

Until now, credit cards in Israel have offered cardholders 'deferred debit' rather than true credit, and Israeli consumers have lacked the flexibility and convenience available to cardholders in other countries. To postpone payments made on a card, or to spread them over time, consumers have had to ask approval from the company they have bought goods/services from, or ask their credit card provider. Therefore, they have traditionally relied on overdrafts to meet their borrowing and spending needs, often having to pay high levels of interest without even realising it.

But now, Leumi-Card, Israel's second biggest credit card company, has worked with MasterCard to launch the country's first revolving credit card – called 'Multi'. Reflecting its name, the new product offers customers a number of options and features:

- A unique and direct line of credit from Leumi-Card, separate from their bank account.
- They can specify in advance a monthly amount to be charged directly from their bank account. This amount can be changed at

will at 24 hours' notice (as long as they make a minimum charge of 1 per cent of the credit line, or 200 shekel – about 40 Euro) at 24 hours' notice.

- They can transfer at will any amount from their available credit to their bank account as a loan.
- Unlike current practice in Israel, purchases made abroad using the Multi card and local and foreign ATM withdrawals are not charged automatically ('immediate' debit).

"Leumi Card believes that Israeli consumers are ready for a more sophisticated and flexible credit card, and that they want to plan their expenses in a way similar to that of other US and European bank customers. By launching this new product, 'Multi', Leumi Card is offering them a new level of independence and flexibility – cardholders choose their own monthly repayment level, meaning they have more control over their finances than previously, and do not have to rely on their banks for loans or overdrafts," explains Arie Heilweil, CEO Leumi-Card.

"So in this sense the card is much more than a simple payment card, it is a smart tool enabling them to better manage their own finances. As a result, Leumi Card estimates that the card will help it recruit some 40,000 new customers in the first year, 35 to 40 per cent of whom are not existing Leumi Bank customers," he adds.

Leumi Card is issuing different versions of the Multi MasterCard – platinum, gold and business gold. ▶▶



## OneSMART PayPass™

### CONTACTLESS PAYMENTS JUST GOT SMARTER WITH THE LAUNCH OF MASTERCARD M/CHIP™

OneSMART PayPass combines a contact chip and a contactless interface to provide a robust and feature-rich product. OneSMART PayPass is based around MasterCard M/Chip™ 4, a highly flexible EMV-based smart card application for credit and debit cards.

Partnering with world leading card and terminal manufacturers, such as Ingenico, Oberthur and Sagem Monétel, MasterCard is now helping its customers take advantage of the benefits offered by OneSMART PayPass. With the first cards and terminals now ready for testing, banks and merchants can trial OneSMART PayPass as an alternative to cash payments.

"OneSMART PayPass combines the power and security of MasterCard M/Chip, with the speed and convenience of contactless payments," says Pascal Dufour, Vice President and Head of Chip Product Management, MasterCard International. "Contactless payments are most powerful in places where speed is of the essence – such as in quick-serve restaurants, petrol stations and tollways. Cardholders simply tap their PayPass-enabled card on the PayPass reader and are on their way."

"Trials in the United States have shown us that MasterCard PayPass has the potential to replace cash with card payments. This represents a huge



potential for banks and merchants, particularly as a significant proportion of cash payments are made in retail environments where convenience and speed of transaction are at a premium. OneSMART PayPass will now enable our customers in regions where EMV smart cards predominate, such as Europe, to reap the benefits offered by contactless payments," added Dufour. ▶▶



## Small is beautiful

The tiny principality of Andorra has moved to the forefront of payment card technology in southern Europe, following Credit Andorra's decision to issue chip cards. The bank is the first bank in Andorra to do this.

Credit Andorra began issuing smart cards in October 2004 and will complete the roll out at the start of 2005. It progressively replaced its old debit and credit cards with EMV chip cards.

The new Credit Andorra MasterCard chipcards were produced and designed by Andorra company Tag Systems. In keeping with Andorra's location high in the Pyrenees Mountains and its reputation as a winter sports resort, the cards have an attractive design of snow-covered mountains.



"With these new chip cards, our customers can now benefit from higher levels of security when using their cards at home and abroad. EMV chip also gives us a platform to include new applications in the future. We are proud to lead the way in Andorra on this, and we were also delighted that the strong partnership between MasterCard, ourselves and Tag Systems meant we were able to implement this project quickly and successfully," observes Ramon Lladós from Credit Andorra. ▶▶

# Champions League Turnkey Promotion

To help its customers make the most of its Champions League sponsorship package, MasterCard has developed a highly attractive Turnkey promotion. With all the visuals, prizes and mechanics taken care of by MasterCard the promotion can be used off-the-shelf by banks, providing a convenient and simple solution. The objective of the promotion is to drive usage and/or increase card issuance.

The promotion offers a *Priceless* grand prize of two trips to the watch the

Champions League Final in Istanbul, including tickets for the game, hospitality, two nights in a four star hotel, meals and gifts. Only the flight cost needs to be covered by the participating bank. Other prizes include Playstation consoles and exclusive DVDs of the history of the Champions League.

If you are interested in leveraging this exciting promotion with your cardholders, contact [sponsorship@mastercard.com](mailto:sponsorship@mastercard.com) ▶▶



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COURSES	LOCATION	DATES
Introduction to MasterCard Europe	Waterloo	30 March-1 April
Card Strategy for Bankers	Lisbon	15-16 March
Business Forecasting (BEAM)	Lisbon	16 March
PIN Entry Device (PED) Security Evaluation	Lisbon	18 March
Advanced Chip Workshop	Lisbon	17-18 March
Exploring the EMV 2004 Standard	Lisbon	15-16am March
Chip Quality & Approval Services	Lisbon	16pm-17 March
Authorization Operations for Members	Lisbon	15-16 March
Authorization Workshop	Lisbon	17-18 March
Operational Excellence with MasterCard	Lisbon	17-18 March
GCMS Reconciliation Workshop	Waterloo	22-23 March
IPM Clearing Messages Workshop	Waterloo	24-25 March
MasterCard Consolidated Billing System	Waterloo	24 March
MasterCard e-Commerce Chargeback Seminar	Waterloo	23 March
MasterCard Europe Advanced Chargeback Workshop	Waterloo	24-25 March
Revolving Credit : A Profitable Card Option	Dublin	12-13 April
Activation Strategy	Dublin	14 April
Managing Your Debit Portfolio	Dublin	14-15 April
Fraud & Risk Management	Dublin	12-13 April
MasterCard Europe Chargeback Seminar	Dublin	12-13 April
Chip Chargeback Workshop	Dublin	14 April

Register early to obtain the earlybird rate!

Please contact the Academy to receive full details and Curriculum 2005:

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