



# Prepaid Cards Management Excellence

Bernardo Nicoletti  
Roma, Nov. 12°, 2009





**Lessons learnt  
On Prepaid Cards  
Management  
In Latin America**

# Agenda

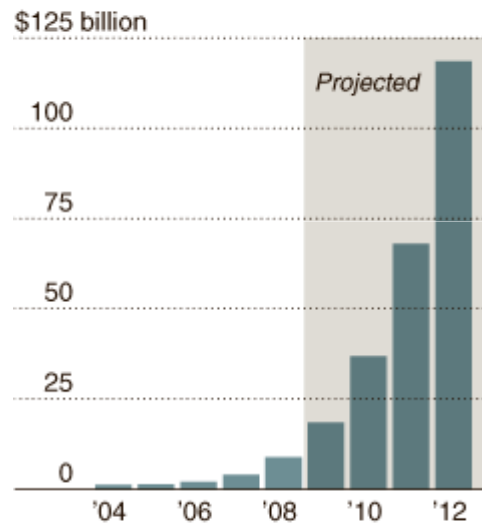
- Context
- Agility
- Risks
- Future



# Prepaid Cards are Growing

The total amount loaded on prepaid debit cards is expected to exceed \$100 billion by 2012.

**Total dollars loaded on prepaid debit cards**



**Top issuers of prepaid cards, 2008\***

ISSUER	PURCHASE VOLUME BILLIONS
H&R Block	\$7.7
MetaBank	3.5
JPMorgan Chase	3.3
Comerica	2.9
Comdata	2.7
Bancorp Bank	1.7
US Bancorp	1.6
Wells Fargo	1.3
Citi	1.3
Palm Desert Nat'l	0.6

\*Includes all prepaid cards with a Visa or MasterCard logo, including gift cards and reloadable cards.

Sources: Mercator Advisory Group; The Nilson Report

# Quite a Few Opportunities

**Market**

**1b un/under banked**

Need a low cost payment solution

**Media**

**315m cellphones**

No dominant payment structure

**Govt.**

**Progressive Authorities**

Growing need for cashless

**Credit**

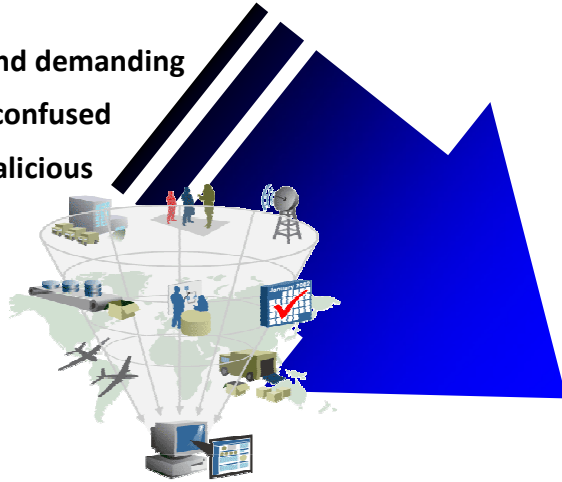
**Fragmented retail sector**

Gift for top tier only

# Changing Environment ... The 4Cs

## Customers

Empowered and demanding  
Complex and confused  
Sometimes Malicious



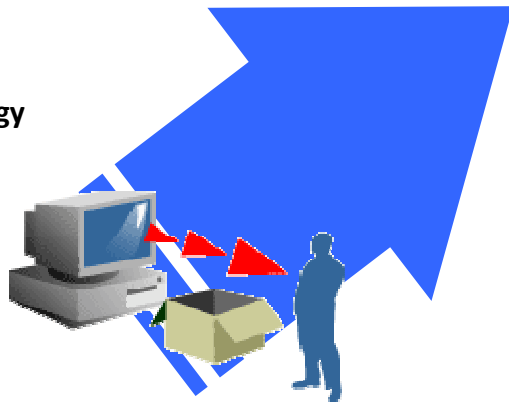
## Computers

New Technology  
Network



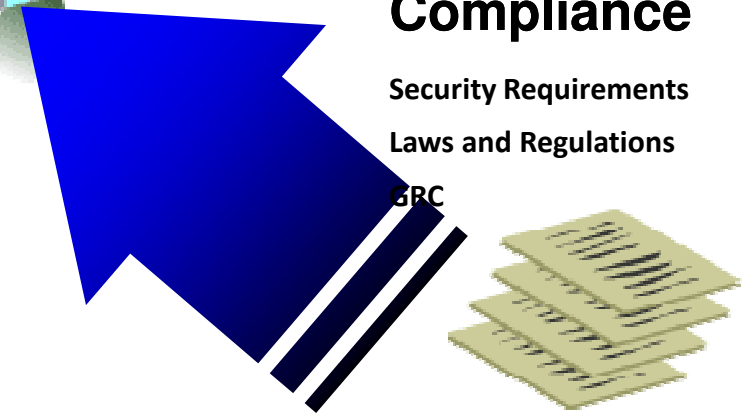
## Costs

Inflation  
Complex Technology  
Outsourcing



## Compliance

Security Requirements  
Laws and Regulations  
BRC



Challenging Environment

# Prepaid Diversity



Prepaid Card Segments				
Employee to Employer (E2E and G2G)	Government to Consumer (G2C)	Consumer to Business (C2C)	Business to Consumer (B2C)	Consumer to Consumer (C2C)
Payroll	Social Security	Gift	Rebates /Penalty Loan Distribution	Gift
Benefits	Food Stamps	Reloadable Store	Insurance	Reloadable Store
Health/Pension	Unemployment	Teen	Store Refunds	Remittances
Travel	Transit	Travel: eg check-in	Incentives	Travel allowance
Fleet	Medicare/Medicaid	Phone	Rewards	Phone
Incentives	Disaster Relief	Fuel	Loyalty	Fuel

**.. And new uses are found every day**

# Prepaid Diversity (cont.)

Closed vs. Open Loop

Reloadable vs. Non-Reloadable

Single vs. Multi-Application

Multi-Payment

Card Not Present





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# Solution Agility

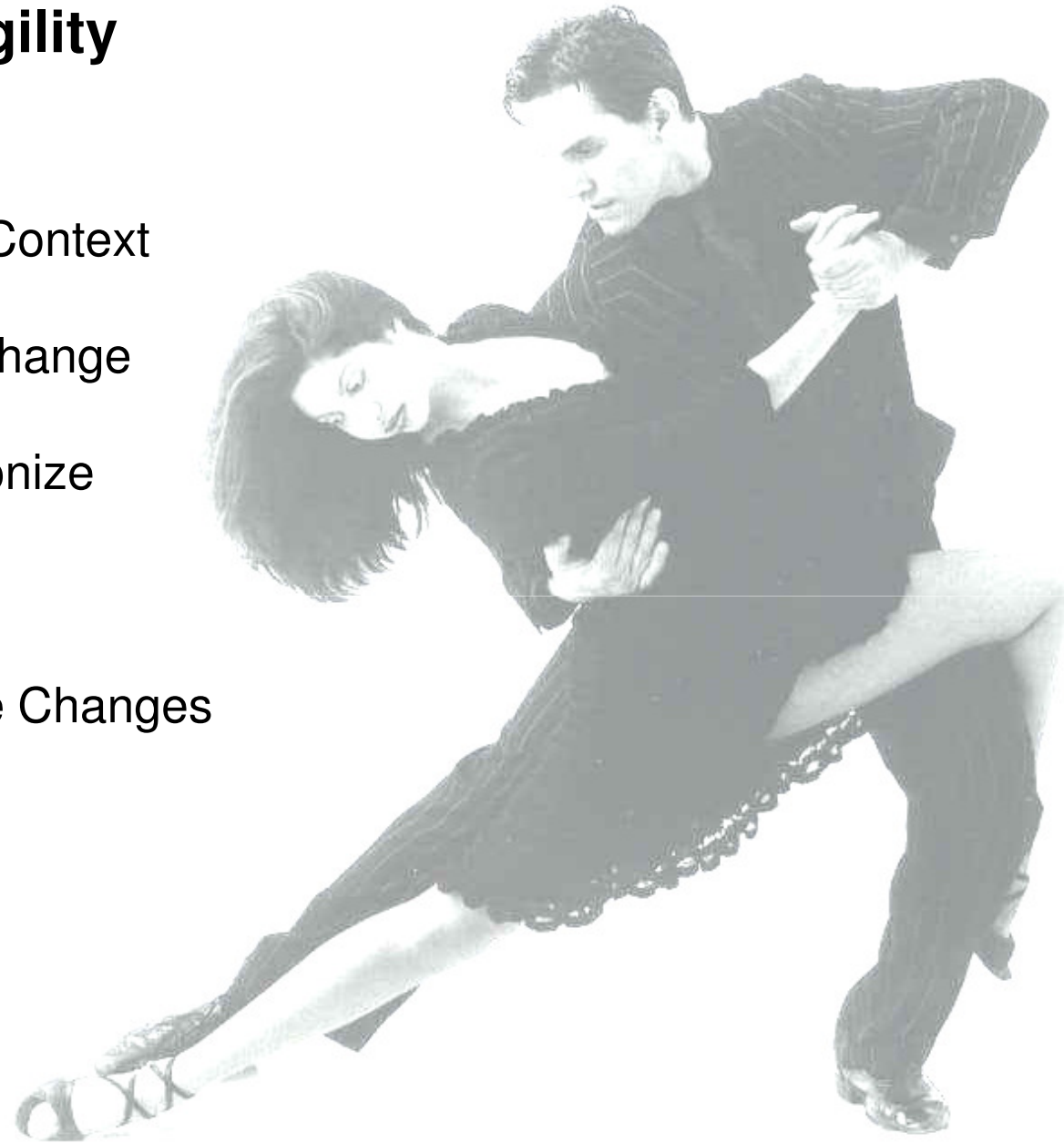
Evaluate the Context

Respond to Change

Try to Commonize

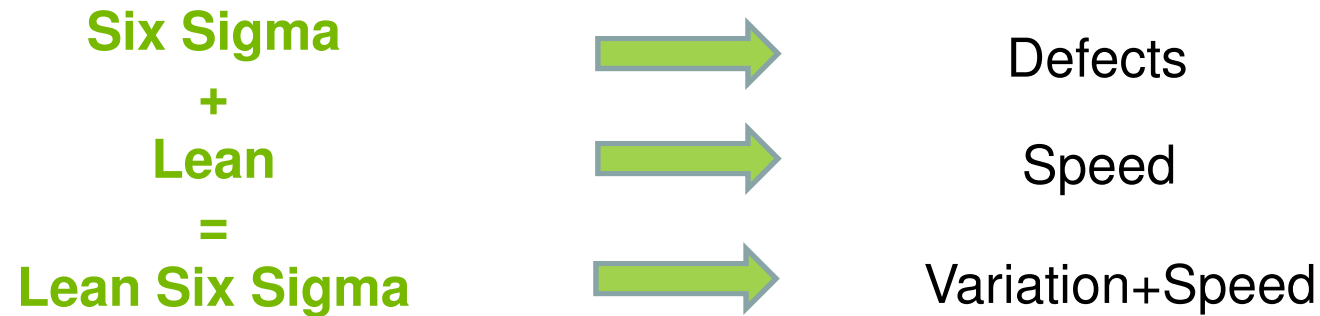
Customize

Enable Future Changes



***“When things change you must be ready to change with them”, Paulson***

## Traditional Lean Six Sigma

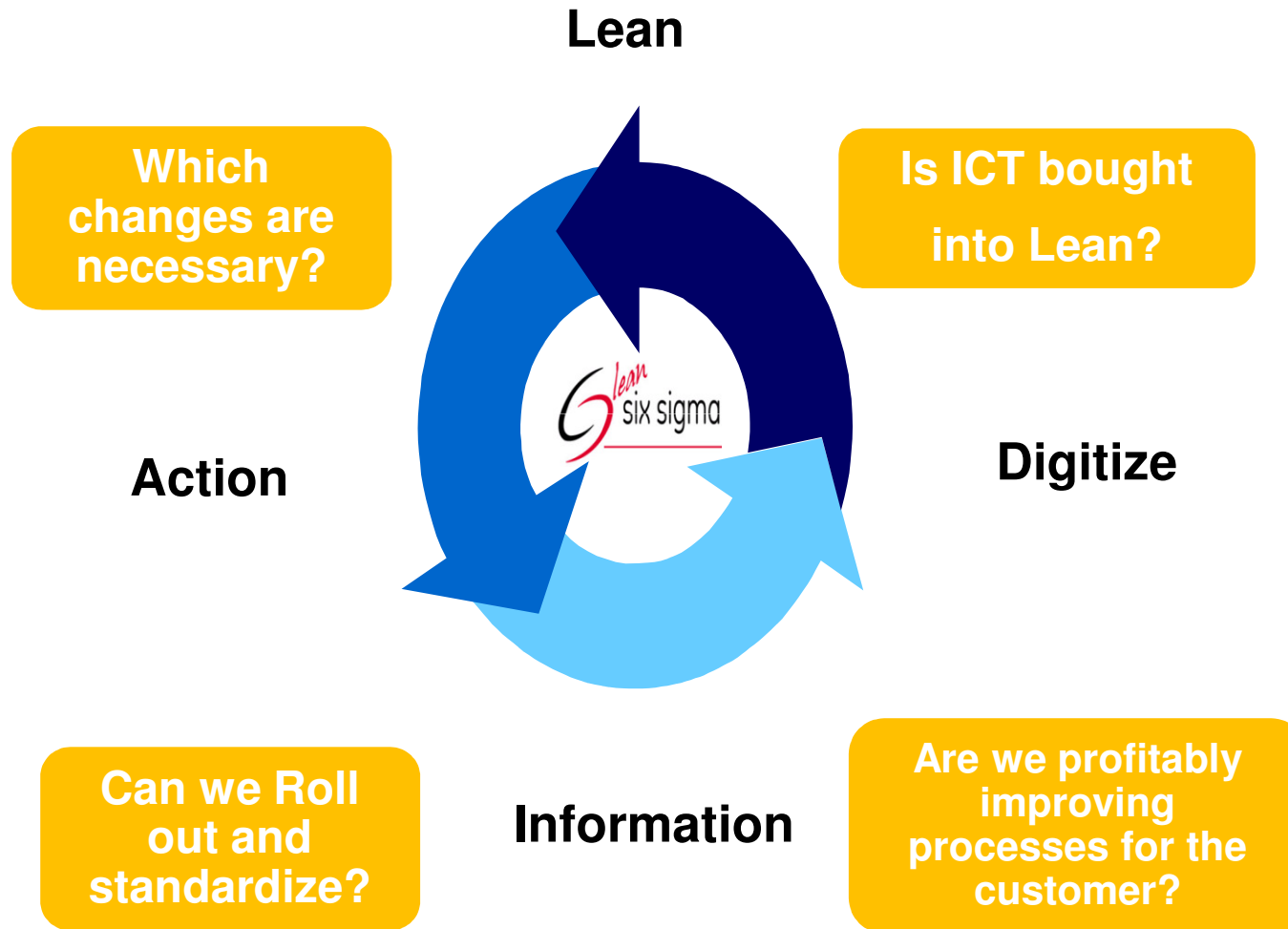
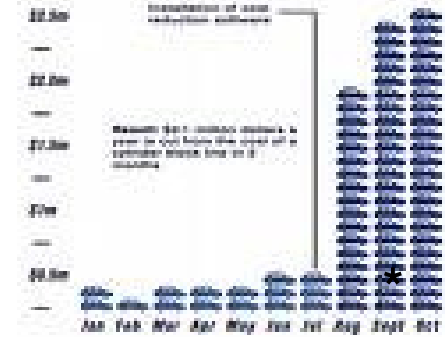


Working on:

- The **product** path
- The **process** path

***This is fine for products and Processes .. And Technology?***

# Lean Six Sigma is not enough: Lean & Digitize

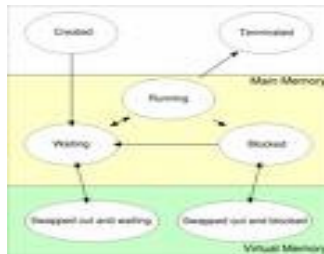


***PDCA including Digitization***

# The Components

Simplify

Product

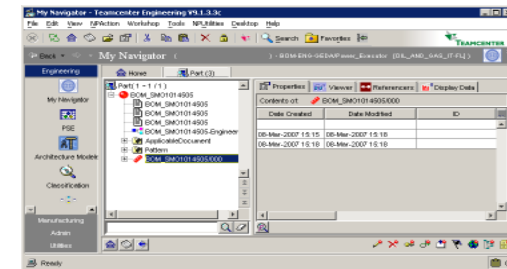


Add Value

Process

Consolidation and Virtualization

Infrastructure



Guidelines  
Policy  
Local Policy reviews  
More self-service

More products in the same process with  
personnel as a consultant  
Different processes for different  
customers:

- Debit cards
- Credit Cards
- Prepaid

COE Development  
Acquiring Expertise  
Organizational Design  
Training

Consistent business logic  
Service oriented architecture  
Network-centric  
On-demand service delivery

**“Financial Services Organization can no longer let BPM pass...” Michael Hammer**

# The Infrastructure

Customer Contact

**Call Center**



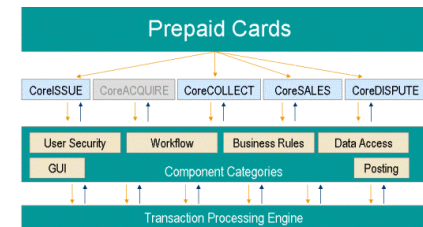
Connection

**Network**



The Hub

**Application**



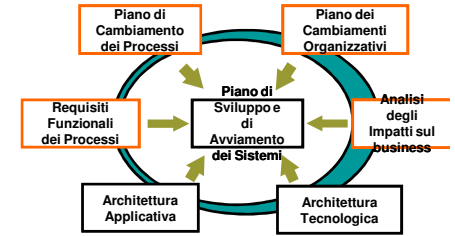
- Service and Sale
- Self-service Terminals
- Optional Integrated Functionality
  - Security
  - Firewall
  - Media streaming
  - Voice Services
  - ... Fun Interaction

- Network Components
  - wLANs
  - Security
  - Intrusion detection
  - Appliances
  - Multi-purpose wireless network
  - Sona

- Rich Internet Applications
- Software as a service
- Business Intelligence
- Hw Virtualization
- CRM
- Document management
- Backup
- SOA

**“High performance processes require new information systems” Michael Hammer**

# The Lean & Digitize Methodology



- (Preliminary)
- Define & Measure
- Analyze & Process Design
- Architecture Design
- Build, Test & Deploy
- Verify
- (Replicate)


**“... information systems have to do more than manage huge amount of financial data...” Bill Gates**

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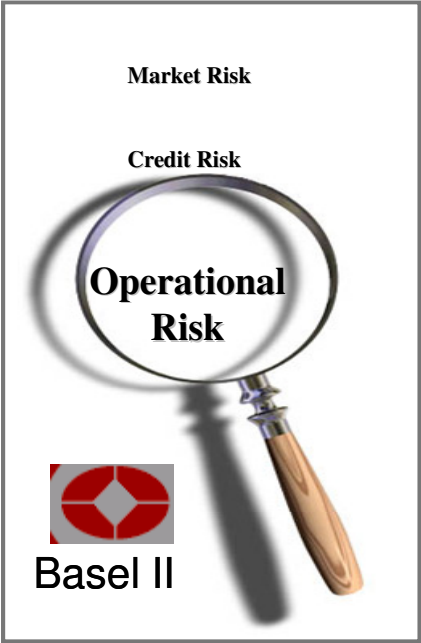




A man in a white shirt and yellow tie is shown from the chest up, holding his right hand up in a 'stop' gesture. The background is a solid blue color. The text 'How do you stop Frauds Before they stop you' is overlaid on the image in white font.

How do you stop Frauds  
Before they stop you

# Many Requirements to Reduce Risk



**Risk Management**



**Anti-Money Laundering**



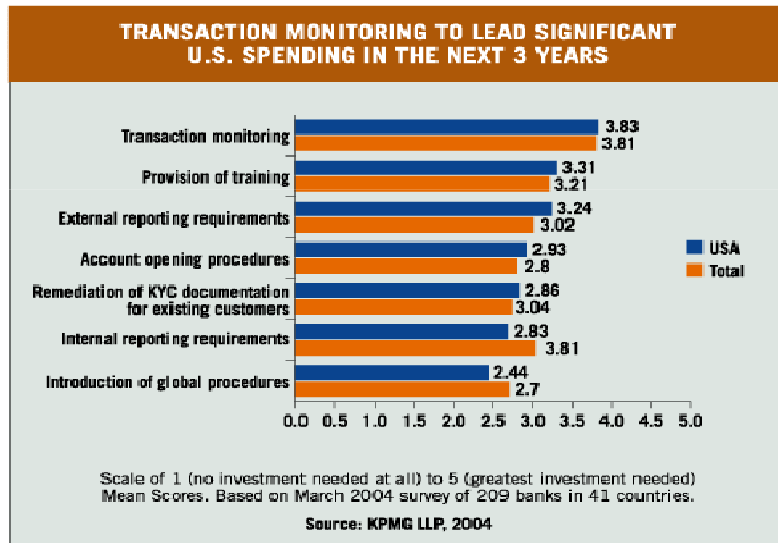
**Corporate Governance**

## The Business Need

- Anti Money Laundering (AML) is increasing in importance.
- Some institutions have been fined (BofA) or have lost the banking license
- Unclear the situation with new regulations

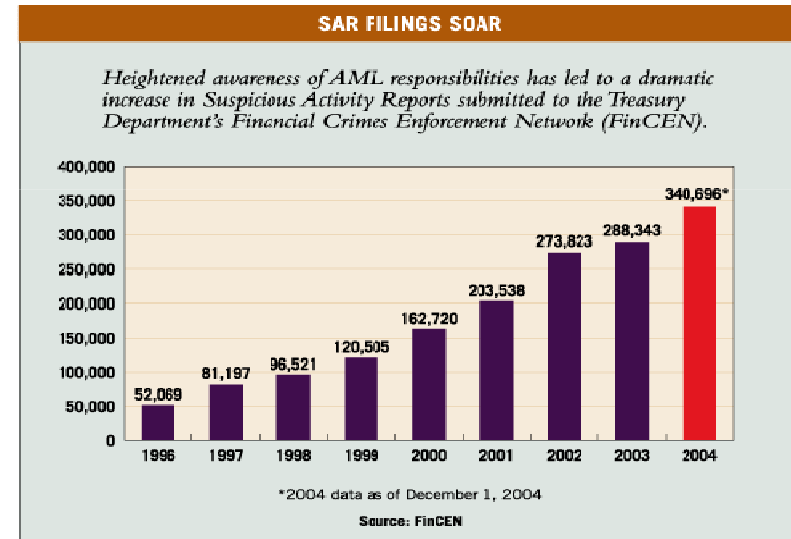
# Where is the industry?

Banks now more proactive ...



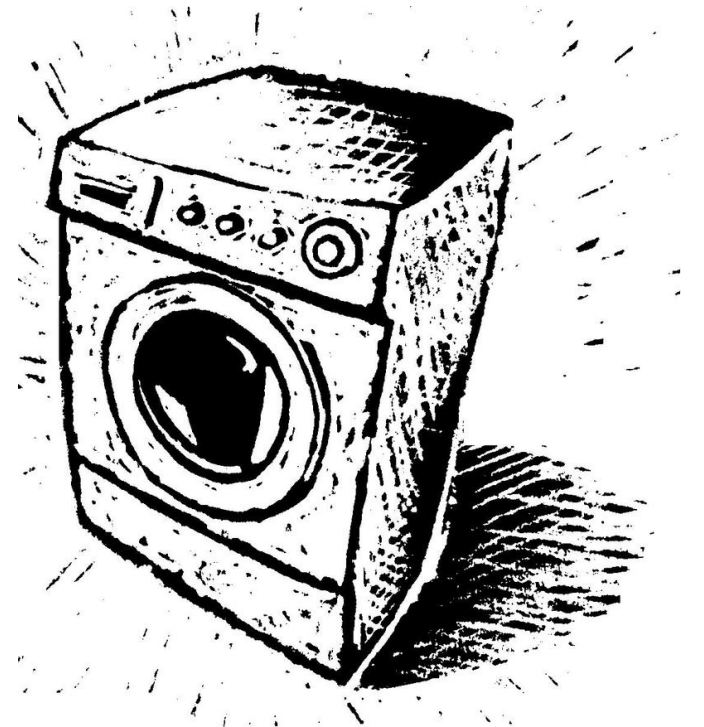
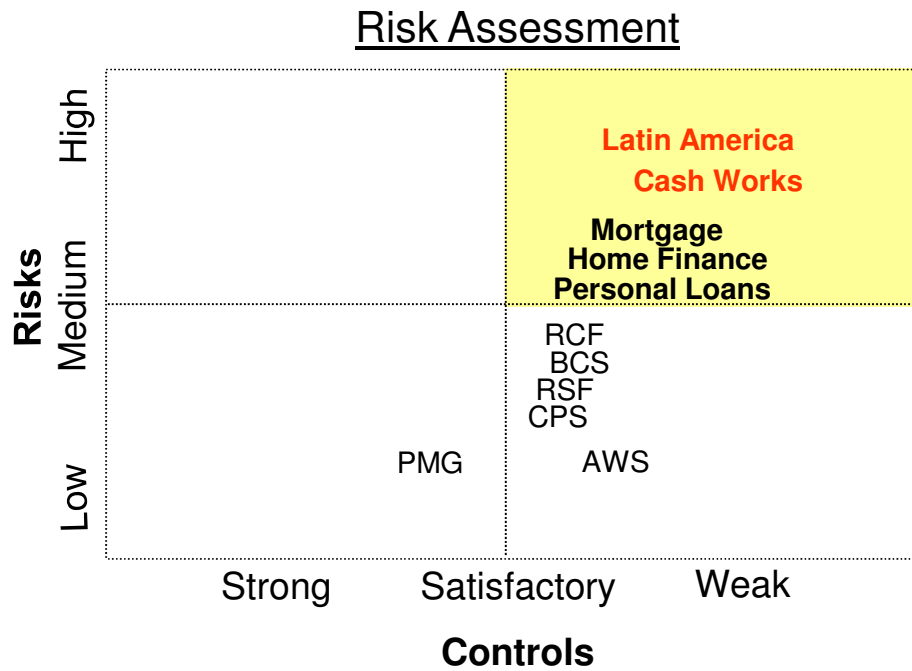
**Spend Increasing**

Defensive FinCen Reporting ...



**Industry Ahead of Many**

# Where is the industry?



# The Architecture of an AML System

## Capabilities

- Design and change rules
- Extract, Validate, Transform and Load
- Engine
  - Statistical (Actimize) or neuronet (ACI).
  - Batch or real time.
  - Comparison transactions vs. profile.
- Case Management (False Positive)



# Solution Evaluation Criteria

Relevant Expertise  
and Experience

Project Staffing

Project Approach

Timeline/Workplan

Pricing/Bid



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# PREPAID CARDS

**An Agenda for 2010**



# Micropayments based on The EU Directives 2007/64/CE (SEPA)

## Market

e.g. 40.8 millions the Italians which could use the service

## Services

In 2008, the services available for micropayments were 62

## Ceiling

Maximum amount payable with micropayments would be € 30

## Credit

Credit lines up to 12 months

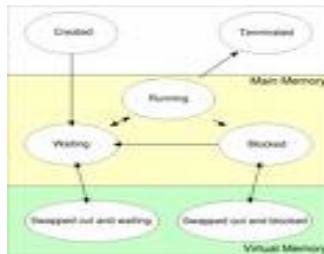
[www.themegallery.com](http://www.themegallery.com)

**Issued by the Institute of Payments**

# The (Near) Future

Integration

Product



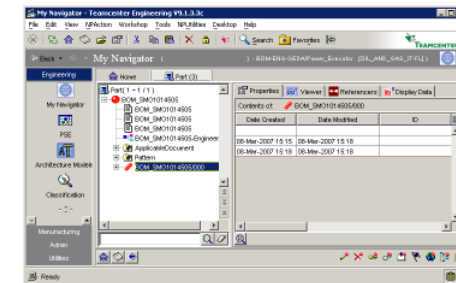
Each Customer-Centric

Process



Mobility

Infrastructure



Multi-everything Cards

Virtual Cards

Transfer Cards

Contactless cards

Social Card

Better Customer Service

Integration of products and process approach

Management of full end-to-end processes

Franchising

Standardization

Personal (mobile) devices

PaaS – Platform as a Service

More and more

Web 2.0 => Card 2.0

Social Networks

“The Ubiquitous Bank” Forrester Research on 2023

**Thank You/Grazie – Any Question ?**



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# Appendix

# Resume



- Fulbright Scholar with a Master from Carnegie Mellon University and a Degree from the Polytechnic of Turin, Italy
- Worked in 10 Countries in several companies
  - MIS and CTO in Alitalia
  - Project Leader in Airplus
  - Program Leader in Galileo
  - CEO in Sigma Plus
  - CTO in GE Money
  - CIO in GE Oil & Gas
  - CIO in AIG UPC Latin America
  - Management Consultant
- Master Black Belt