

A photograph of two men standing in front of a modern glass building. The man on the left is wearing a white dress shirt, a dark tie, and grey trousers, with a dark jacket slung over his shoulder. The man on the right is wearing a traditional white thobe and a ghutra. They are both looking at a smartphone held by the man in the thobe. The background shows the glass facade of a building with reflections.

New Challenges and New Opportunities in the Global Cards Market

Bernardo Nicoletti
Pinion Ltd., Director
Riyadh, KSA, Nov. 2, 2010

Changing and Challenging Environment ... The 4Cs

Customers

Empowered and demanding
Complex and confused
Sometimes Malicious



Computers

New Technology
Network



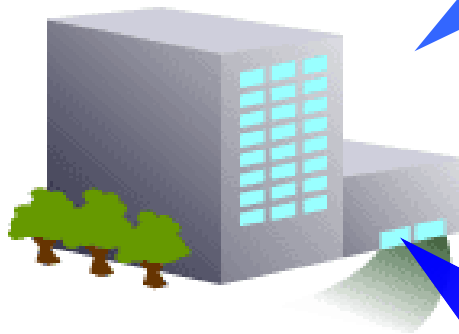
Costs

Inflation
Complex Technology
Outsourcing



Compliance

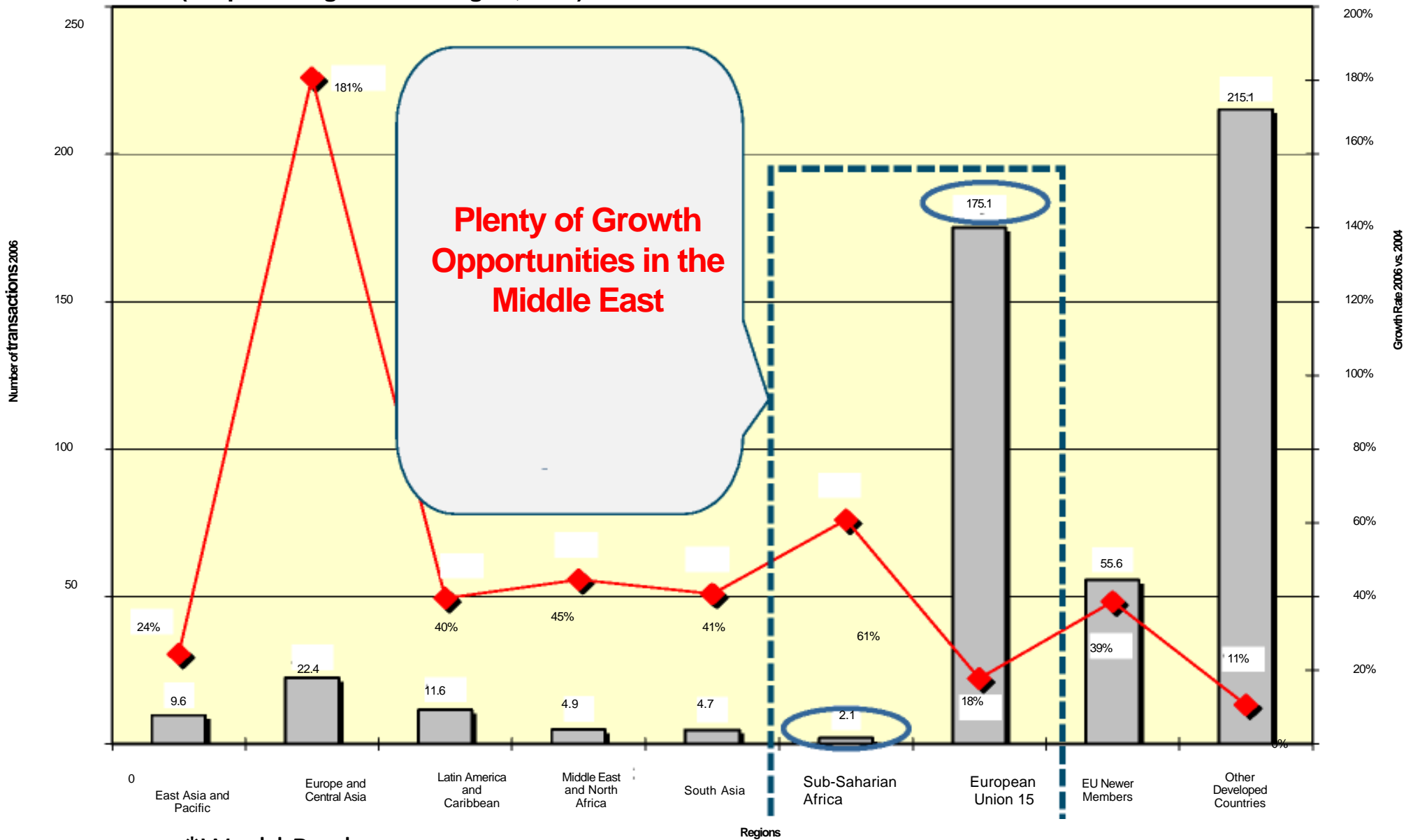
Security Requirements
Laws and Regulations
GRC



Achieving process payments in a leaner and more digitized manner

Non-Cash* Retail Payment Transactions Per Capita*

(Simple average for each region, 2006)



*World Bank

Need of Creating a truly Integrated Card Strategy



Creating a truly integrated payment systems strategy

WHEN DO YOU WANT TO PAY? YOU DECIDE

BEFORE

NOW

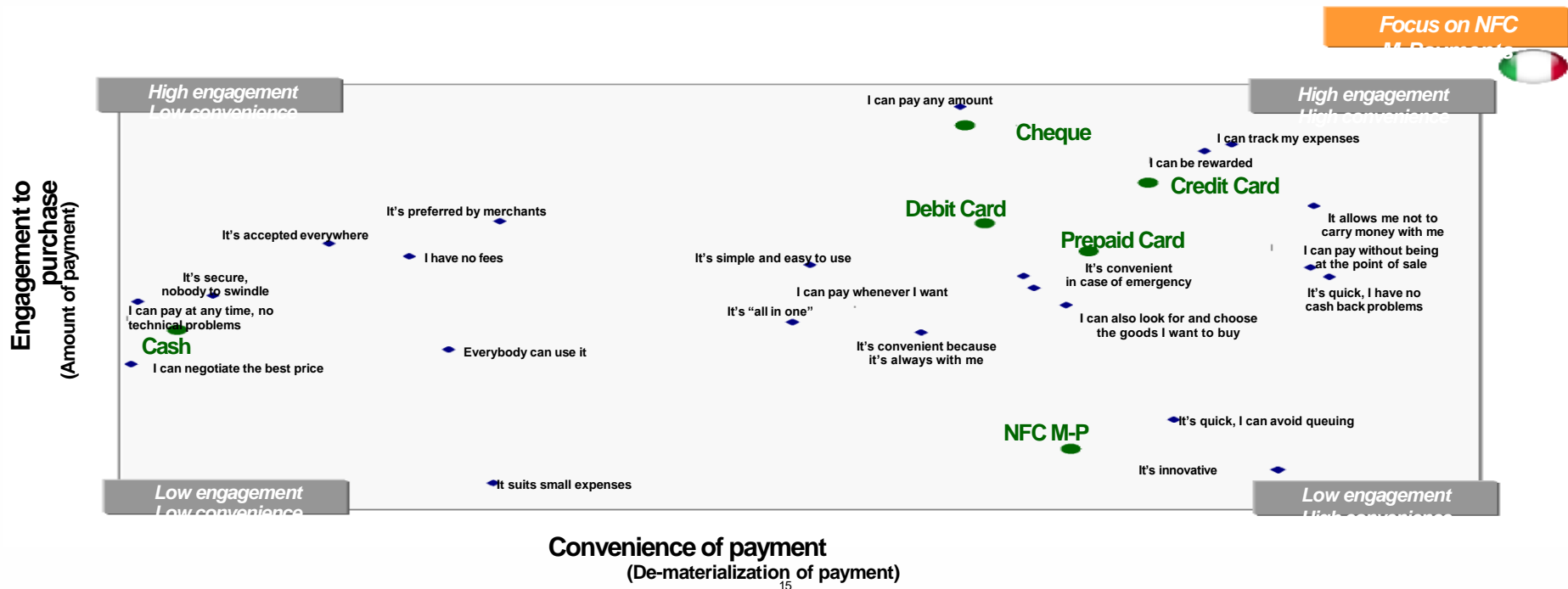
LATER

AT YOUR PACE

Attributes

Before	Now	Later	At your pace
<ul style="list-style-type: none">• Security• Expense control• Anticipation• Planning• Provision• eCommerce	<ul style="list-style-type: none">• Daily life• Expense control• Immediacy• Transparency	<ul style="list-style-type: none">• Convenience• Flexibility• Ease of use• Customer support• Availability	<ul style="list-style-type: none">• Customization• Payment deferment• Support• Flexibility• Adaptability• Trust

The Role Of Different Payment Solutions*



*VRL, 2010

Creating a truly integrated payment systems strategy

		D E B I T		C R E D I T	
		Prepaid	Debit	Credit (deferred debit)	Revolving
Mass market (Immigrants included)		Gift Card / Prepaid	Debit	Credit	Revolving
Upgrading				Gold	
Seg-ments	Youth	Prepaid	Debit	Credit	Revolving
	High value			Credit	
Basic service (for free)		<ul style="list-style-type: none"> Security Pack (EMV+SMS alerts + ATM theft insurance + Fraud insurance) 			
Additional services		<ul style="list-style-type: none"> Image personalization 			
		<ul style="list-style-type: none"> Insurance sales: Travel, Loans, Accidents insurances ... 			
		<ul style="list-style-type: none"> Cobranded Cards 			

Prepaid: The Next SMART* Solution?

- **Pressure on credit**
- **Looking for new revenue sources**
- **Potential for product bundling**
- **Changes in the macro-economic landscape.**
- **Key regional initiatives**
- **New Channels: Web and Mobile**

Quite a Few + Opportunities



Market

1b un/under banked
Need a low cost payment solution

Media

5b cellphones
No dominant payment structure

Govt.

Progressive Authorities
Growing need for cashless

Credit

Fragmented retail sector
Gift for top tier only

The Commercial Prepaid – Value Adding

internal applications

- Payroll
- Commission payout
- Rewards and incentives
- Agent/ contractor payments
- Petty cash
- Purchasing
- Travel expense
- Employee expense account
- Relocation expense
- Meeting planners
- Insurance claim settlements
- Loan distributions



benefits

- Improved efficiency over paper based
- Reduced outbound / Inbound processing cost
- Reduced bank fees
- Reduced print processing, distribution, mailing expenses
- Transparency
- Reduced check replacement cost.
 - Control over expenditures with flexible limitations and audit trails
 - Reduced bureaucratic procedures
 - Faster distribution
 - Ease of maintenance

external applications

- Consumer rebates
- Consumer gift cards
- Customer refunds
- Claim settlements
- Airline credit



benefits

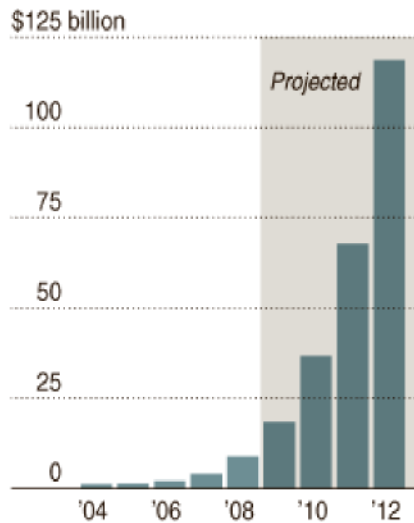
- Fast and easy access to funds
- No waiting for check distribution
- No need for bank account
- Broad acceptance
- Reload capabilities for open network solution.
- No cheque cashing fees
- Improve customer retention

Reduction of Operating Cost and increase in operational efficiency: suggests Payback in 2-3 years suggest _

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

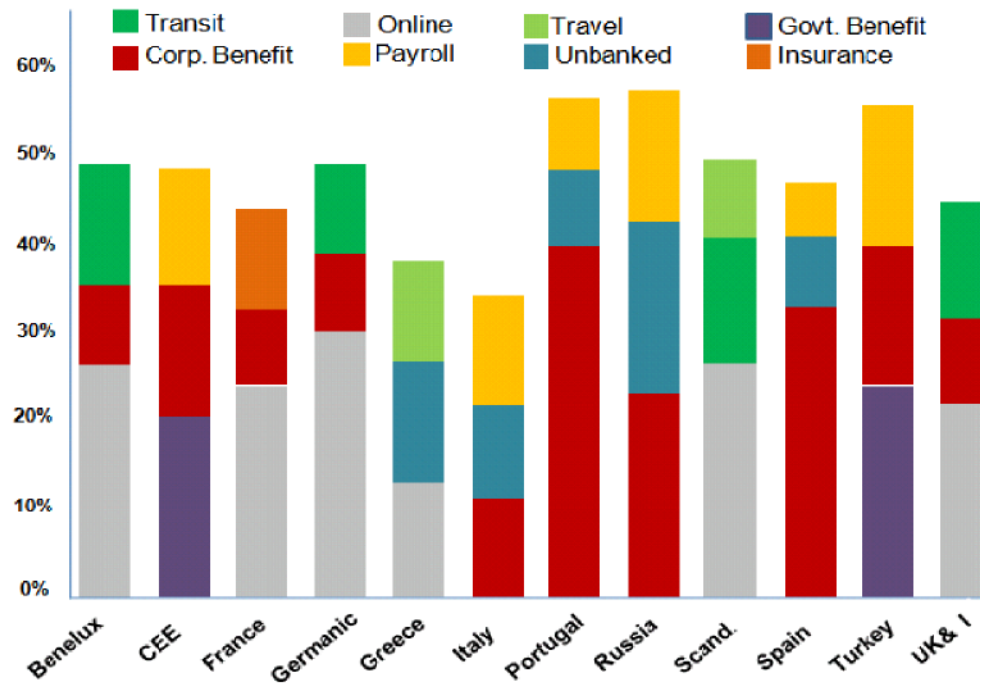


Top issuers of prepaid cards, 2008*

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



Largest three segments (excluding gift cards) as a proportion of total prepaid turnover by 2015
 – PSE consulting (European prepaid market 2008)

Add Value To The Customers



Prepaid Card Segments				
Employer to Employee (E2E and G2G)	Government to Consumer (G2C)	Consumer to Business (C2B)	Business to Consumer (B2C)	Consumer to Consumer (C2C)
Payroll	Social Security	Charity	Rebates /Penalty Loan Distribution	Gift/Family
Benefits	Food Stamps	Internet/Mobile purchases	Insurance	Reloadable Store
Health/Pension	Unemployment	Youth organization	Store Refunds	Remittance
Per Diem	Disbursements	Travel	Incentives	Travel allowance
Fleet	Medicare/Medicaid	Phone	Rewards	Phone
Incentives	Disaster Relief	Fuel	Vouchers	Students

.. Go for Prepaid Diversity ... Many Killers Applications

Add Value to the Customer (cont.)

Closed vs. Open Loop

Reloadable vs. Non-Reloadable

Single vs. Multi-Application

Multi-Payment

Plastic Not Present (Virtual)



Work on the Value Proposition

Prepaid – Power to redefine markets ?

Who is the largest seller of digital cameras in the world ?

Mobile Phone
Manufacturer

NOKIA

Who runs the biggest music business in India ?

Mobile Service
Provider

Airtel

Who will be the largest provider of financial services in
2020?

Industry ?

??

Evolution of prepaid offer in Italy:

The Post Office launched first and they have 6 million of cards in 2009*



2004

Reloadable prepaid card introduced in the market



2005-2008

Consumer shows self-segmentation in usage patterns:



2009

Vertical products targeting specific usage

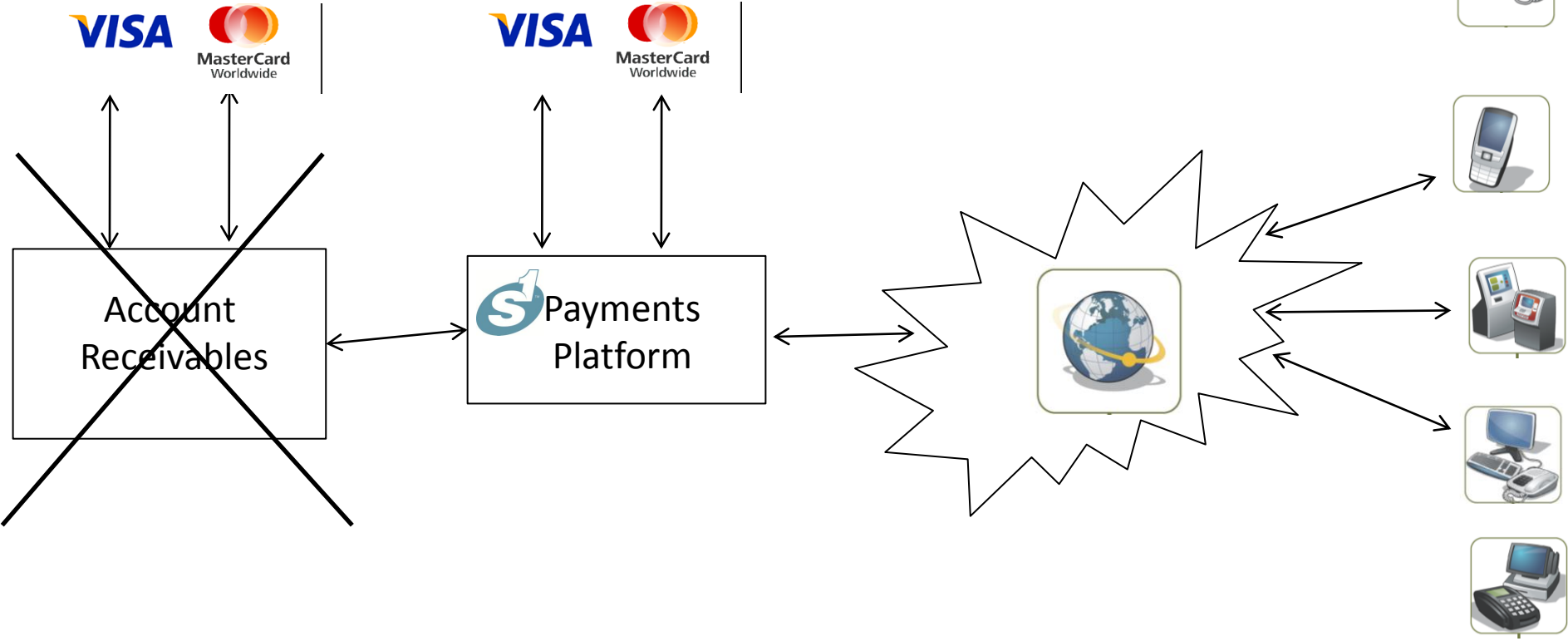



Prepaid Cards are Essentially Electronic Money

* Mastercard

A Lean & Digitize Example:

for Prepaid Cards



A man in a white shirt and yellow tie is holding up his right hand 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 hand.

How do you stop Frauds
Before they stop you

The Business Need

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

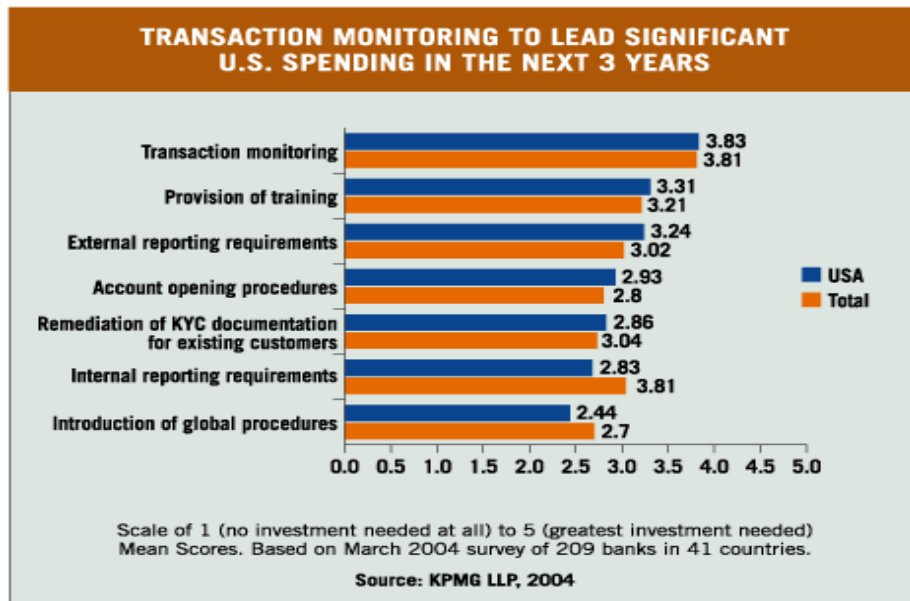


There are Solutions

- Design and change rules
- Extract, Validate, Transform and Load
- Engine
- Case Management (False Positive)

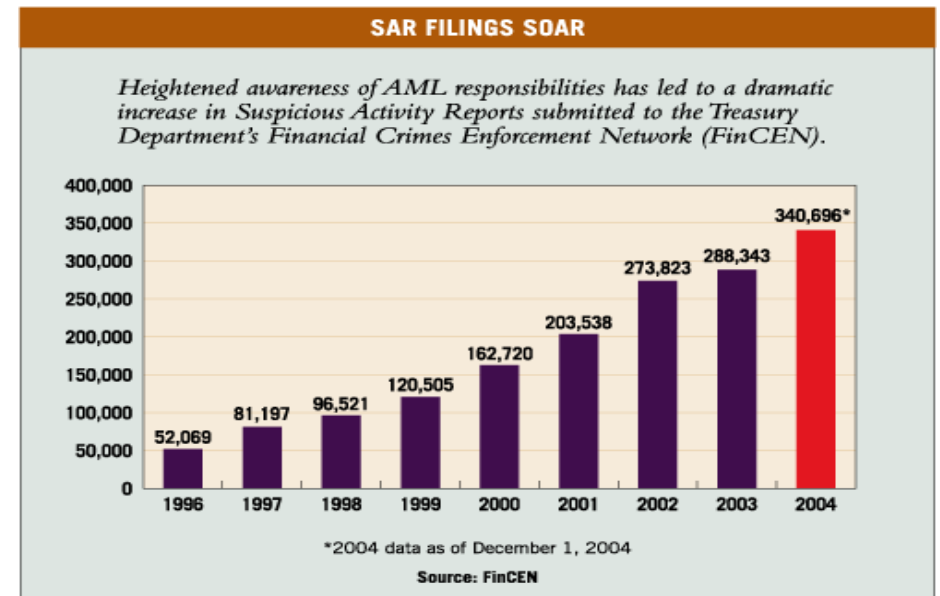
Where is the industry?

Banks now more proactive ...



Spend Increasing

Defensive FinCen Reporting ...



Industry Ahead of Many

In Summary: The Four Pillars of Payment Systems Success



INNOVATION



**REGULATORY
AND FRAUD**



**ACCESSIBILITY
& EASE OF USE**



**INTEGRATION
TECHNOLOGY**

And Never Forget Security: Example Of BBVA



- **Mobile alerts service**
- **Insurance against ATM robbery**
- **Protection against fraudulent use from the first euro**
- **Secure e-commerce**

Current and Future States of Prepaid Business

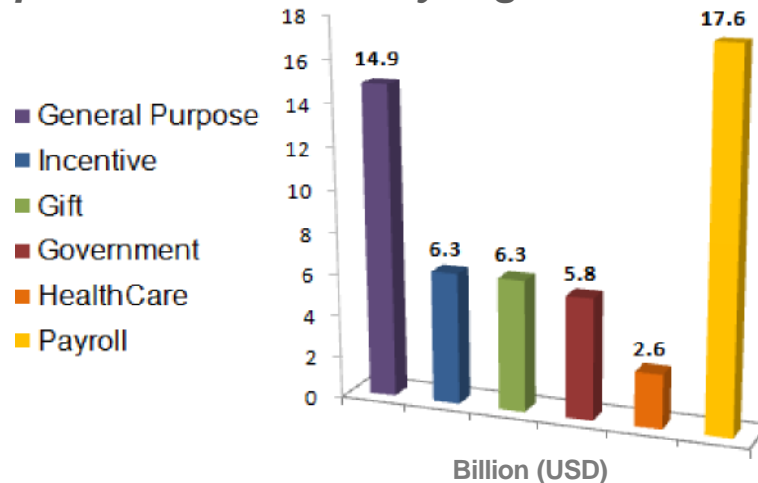
United States

- Prepaid and gift cards bouncing back in 2010
- Prepaid products have the potential to reach the entire U.S. population
- Aite predicts consumers and businesses will load as much as \$186B on prepaid by 2014

Europe

- Less developed than its U.S. counterpart
- Many factors have delayed expansion of prepaid in Europe
- Tower Group estimates 375 million stored-value cards will be in circulation in Europe by 2010
 - 1000% increase over 2005
- Prepaid card usage is high in Italy and still low in UK, Germany and Austria,

Volume breakdown of branded prepaid loaded in 2009 by segment



The (Near) Future



Integrate

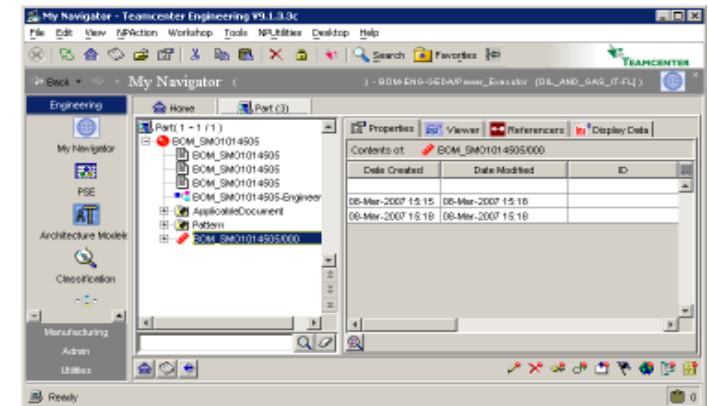
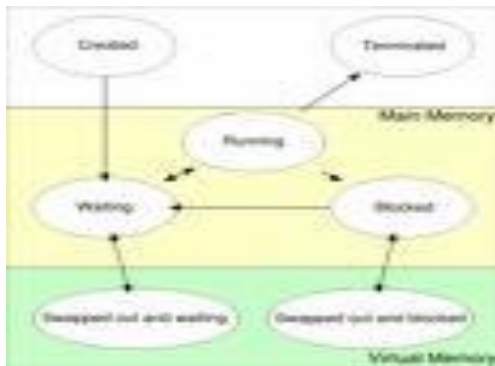
Be Each Customer-Centric

Mobilize

Product

Process

Infrastructure



Move from Prepaid Cards to Prepaid Instruments to improve the flow

The Final Message To Beat Your Competition... ... Strive For Perfection



Debit and Prepaid Cards: the present and future payment vehicle:*

Continuous improvement

* Debit Cards as Profit Drivers 3rd Edition Published 21st May 2010, VRL Financial

Appendix



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

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

Director for Pinion with projects in several continents

Six Sigma Master Black Belt



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Pinion Services Ltd.



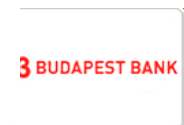
Pinion Services Limited is a leading global business and technical consulting company, specialized in payment systems.

Offices in the UK and India, combine both offshore and onshore resourcing to provide value effective support

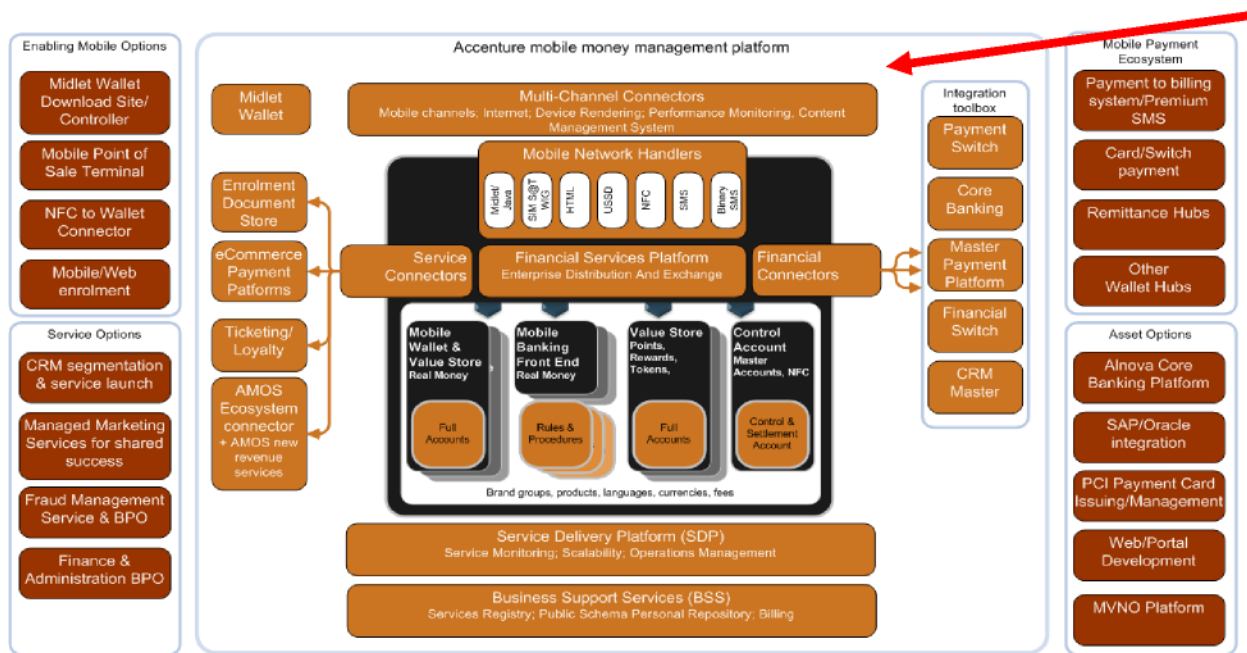
Pinion has core strengths and expertise in payment systems and particularly in supporting Postilion in:

- Project management
- Business Analysis
- Interfaces development
- Testing
- Implementation support
- Production support Service

Some references;



A Typical Card System*



* Accenture