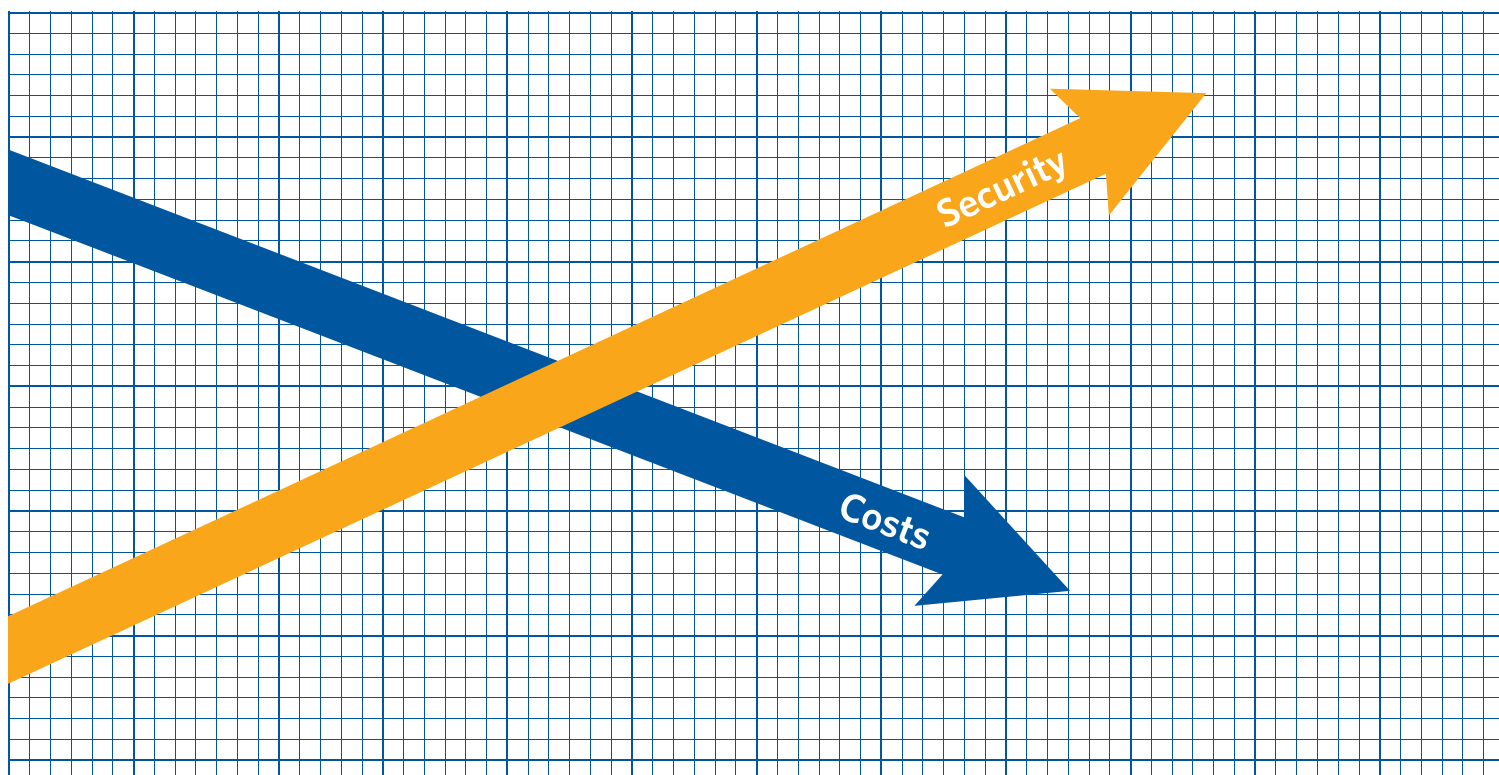


Maximum security. Minimum costs.
Zero counterfeit.



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V PAY Today

Issue 7: Spring 2010



Delivering on the V PAY promise



Welcome to our latest issue of V PAY Today. Once again we have a number of new updates for you.

In Italy, yet another bank has commenced with mass issuance; in Bulgaria, a fourth big issuance programme is underway; and, elsewhere in Europe, banks are deciding how and when to get more value from their debit card businesses.

With a critical mass of 7.5 million V PAY cards now in the market, individual banks are beginning to assess the performance of their new debit programmes. For example, some banks have used V PAY as an opportunity to re-launch and re-communicate the whole concept of debit. By adapting our messaging, and focussing on everyday spending situations, they are seeing a definite uplift in activation and usage rates.

Also, V PAY is most definitely delivering on the security promise.

Everyone understands the theory. Because V PAY is a chip-only application, the risks of counterfeit should be eliminated. As we report in this issue of V PAY Today, the theory is a reality – the counterfeit rate is zero.

Another V PAY benefit is, of course, its flexibility, enabling banks to bring far more functionality to their debit programmes. An obvious opportunity is contactless where, once again, Italy is the centre of attention. Two more banks have started pilot programmes and, working in partnership with the Visa Italia and V PAY Italia boards, we have agreed the terms for the national roll out of this exciting new technology, targeted at displacing cash for low value transactions.

With so much happening so quickly you can expect many more developments – and we look forward to bringing you many more updates over the coming months.

Peter Ayliffe

President and CEO, Visa Europe

Everyone understands the theory. Because V PAY is a chip-only application, the risks of counterfeit should be eliminated. As we report in this issue of V PAY Today, the theory is a reality – the counterfeit rate is zero.

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Maximum security, minimum costs, zero counterfeit – from theory to reality

From both a bank and a cardholder perspective, one of the big benefits of V PAY's chip-only architecture is the level of security it promises.

With 7.5 million V PAY cards now being used across Europe, we have been closely monitoring the actual fraud performance – and we gave a full update at the most recent meeting of the V PAY Advisers group.

As everyone in the industry knows, the migration to chip and PIN has led criminals to focus on those environments where EMV technology has not yet been deployed – including the use of compromised card details on the internet, and the use of counterfeit cards in ATMs and point-of-sale (POS) devices that have not been chip-enabled.

It should be noted that industry figures suggest that 70 per cent of ATM fraud involves counterfeit debit cards. The same is true for some 30 per cent of counterfeit fraud at POS.

Whilst some countries still report relatively low fraud rates on their own debit cards, the picture is changing fast, with



card criminals quickly moving to those programmes which they see as most vulnerable. It should also be recognised that net fraud losses only represent a small fraction of a bank's fraud-related costs. Visa Europe's Total Cost of Fraud programme suggests that the secondary costs (in terms of operational and process costs) and the opportunity costs (in terms of lost transactions or changes in cardholder behaviour) can be much higher. And, once the reputational risks are factored in, the wider business consequences of fraud become far more considerable.

So, in this fraud environment, how has V PAY been performing?

An analysis of the latest available figures (October 2008 to September 2009) confirms that there has not been one single case of counterfeit for V PAY. With regards to total fraud levels (including lost and stolen cards), V PAY benefits from a fraud-to-sales ratio of just 0.003 per cent – compared to a rate of around 0.06 per cent for Visa Europe as a whole.

As well as benefiting from such vastly reduced fraud losses and related costs, many banks regard V PAY as a reputational opportunity, by actively highlighting its security credentials to cardholders and to the media. Also, banks have discovered that they can safely issue V PAY cards to those customers who would not normally have qualified for any type of payment card.

With V PAY, banks also have the flexibility to address the particular risks of the e-commerce environment. For example, they are not required to support e-commerce unless they chose to do so. And, if they do decide to enable their cardholders to shop online, they can restrict acceptance of their cards to secure e-commerce environments.

In summary, V PAY represents a rare opportunity for banks to contain costs and increase revenues – especially at a time when margins can be under real pressure.

With regards to total fraud levels (including lost and stolen cards), V PAY benefits from a fraud-to-sales ratio of just 0.003 per cent – compared to a rate of around 0.06 per cent for Visa Europe as a whole.

Accepted and visible – right across Europe

Thanks to the support from the European acquiring community, issuers and their cardholders can be sure that V PAY is now widely accepted and recognised right across Europe.

By the start of 2010, the number of POS terminals accepting V PAY had climbed to more than seven million – an increase of one million when compared to this time last year.

During the past year, we also increased our focus on developing V PAY acceptance at ATMs. From July 2009, for example, it was a requirement for all Visa Europe ATM acquirers to be capable of processing V PAY transactions, and for all newly placed ATMs to accept V PAY.

By the start of 2010, the number of ATMs accepting V PAY had therefore climbed to 350,000 (up from 265,000 a year ago) – and the level of V PAY signage at ATMs has increased even more sharply.

Much more visible in many more places

During the past few months, our acceptance team has been busy with a POS decaling campaign that has further improved V PAY visibility across Europe.

Working with a specialist agency, our merchandising teams went out to visit some 68,000 retailers in Austria, Italy and Spain. These three countries were selected as key destination countries for European travellers.

The response from the retail community was very positive. Many retailers took the opportunity to ask about V PAY and the benefits it will bring to their business. And the vast majority agreed to display prominent V PAY decals at POS or the entrance to their stores. In fact, more than 80 per cent of those we visited now have V PAY decals on display.

Acquirers from other countries are encouraged to learn from our experience and develop their own decaling campaigns. Also, the few remaining acquirers that have not yet opened up their merchants to V PAY can see the positive impact of doing so.

As for the future, we will be turning our attention to some key merchant sectors, such as supermarkets and petrol stations, where we want V PAY to become even more visible.

V PAY acquirer toolkit updated

With mass issuance for V PAY well underway, Visa Europe has updated the V PAY acquirer toolkit to help acquirers and merchants maximise the V PAY acceptance opportunity.

The toolkit contains everything you need to deploy and develop V PAY acceptance: an implementation guide, technical specifications, template merchant communication material and sample merchant questions and answers.

All the material exists electronically – making it quick, easy and cost-effective for acquirers to translate and/or customise the content with their own logo and branding when launching V PAY to merchants.

To request your free copy of the CD-ROM containing the V PAY acquirer toolkit, or to discuss how you can make the most of mass V PAY issuance across Europe, please e-mail vpay@visa.com

At home...



and across Europe,



safely and securely,



accept...



More V PAY momentum

With every passing month, more banks are commencing or accelerating their V PAY issuance programmes – which puts more momentum behind Europe’s fastest growing debit solution.

Some of the latest developments include:

Bulgaria

- **Investbank**

Bulgaria’s Investbank has become the fourth major bank in the country to launch a V PAY programme – following UniCredit Bulbank, First Investment Bank (FIB) and Corporate Commercial Bank.

Investbank, seen as one of the country’s most dynamic and innovative banks, is part of Festa Holding – one of Bulgaria’s leading conglomerates, with interests in banking, finance, health insurance, wine production and viticulture, tourism and entertainment, the acquisition and management of real estate, construction and sales.

The bank has chosen to migrate its entire debit portfolio from BORICA, the domestic debit scheme to V PAY. This has enabled Investbank to select a highly secure configuration for V PAY, with no account data whatsoever present in the magnetic stripe.

In total, six Bulgarian banks have committed to V PAY and, between them, they will be issuing at least 1.8 million cards.

France

- **Société Générale**

In France, for example, V PAY enables banks to replicate all of the functionality of their existing domestic-only debit cards, whilst also providing secure pan-European acceptance.

As well as migrating its standard domestic-only debit cards to V PAY, Société Générale is using V PAY as the basis for a growing range of co-branded cards – including its new Rolling Stones card.

This is the latest addition to the bank’s ‘So Music’ series of cards, all of which are co-branded with Universal Music.

Available as a limited edition of just 50,000 cards, the programme enables Rolling Stones devotees to choose one of the band’s CDs for free. They can also save 50 per cent on music downloads, they get access to exclusive concerts and they can even send their own home-recordings to Universal Music for advice and encouragement.

Germany

Mass issuance is well underway across the cooperative banking sector and the savings banks. Also, Deutsche PostBank, the country’s largest single debit card issuer is about to migrate its entire portfolio to V PAY.

Italy

- **Gruppo CARISMI**

Based in the heart of Tuscany, Cassa di Risparmio di San Miniato S.p.A. (CARISMI) is one of the oldest savings banks in Italy. With 88 branches and more than 700 employees, it operates in the provinces of Arezzo, Florence, Grosseto, Livorno, Lucca, Massa-Carrara, Pisa, Pistoia, Prato, Siena, Milano and Roma, and prides itself on its family-based values and ethical outlook.

It is also the latest Italian bank to begin issuing V PAY. The focus of its plans is the CARISMI Life V PAY programme, aimed primarily at students and younger cardholders. Co-branded with Pago Bancomat, it will supplement and complement the existing Carta CARISMI programmes, enabling the bank to provide tailored products to different customer segments.

“We have emphasised to our customers the increased security offered by V PAY, and also the freedom to use the same card in the same way right across Europe,” says Piergiorgio Giuliani, General Manager at CARISMI.

- **More V PAY Contactless programmes**

Banca popolare dell’Emilia Romagna (BpER) and Banca CRV (Cassa di Risparmio di Vignola) are two of the latest banks to join Europe’s contactless payment revolution.

The two banks, both members of the BpER Group, have worked with Visa Europe and Key Client Cards & Solutions, to add a V PAY contactless function to the BperCard Europe.

Activity will begin with a pilot programme in Modena Province, part of the Emilia-Romagna region in Northern Italy. This will involve 10,000 cardholders and 200 retailers in the cities of Modena, Vignola, Spilambro, Savignano and Marano. It follows the success of a similar programme from Credito Valtellinese, and will be coordinated with Italy’s national rollout programme of contactless technology.

Mr Cerfogli, Head of Sales BpER said: “Banca Popolare dell’Emilia Romagna and Banca CRV have been selected by BpER Group to start the trial of our BperCard contactless V PAY programme. The project demonstrates the commitment to innovation across the Group, particularly in areas such as payment where we can bring greater levels of simplicity, flexibility and security to our customers’ everyday lives”.

More member engagement

We always wanted V PAY to be a distinctly European debit scheme – with V PAY members taking a very active role in its management and development.



We therefore have an ongoing programme of member engagement in place, which gives banks an influence over V PAY's development, provides them with direct access to our own expertise, and enables them to share and learn from their respective experiences.

Our sponsorship of the annual Interbancario Europeo Ski Meeting has provided a useful focus for this activity, whilst also helping us to raise awareness of V PAY among a wider audience of banking professionals.

As Europe's biggest inter-bank sports event, it attracts more than 1,400 participants from banks in many of the leading target markets for V PAY (including Austria, Germany, Italy and Switzerland). This year the competition, hosted in Sestriere, Italy, celebrated its 50th anniversary, so the level of interest was particularly high.

V PAY was highly visible throughout the event, with signage on the slopes, on the racers' bibs, at the opening and closing ceremonies and also at merchants in the surrounding areas.

We also took the opportunity to host a V PAY Forum for our Italian members, which attracted senior-level representatives from 17 banks. This included a range of workshop and discussion sessions. Three of our members, Banca Carige, UniCredit and UGF Banca, also presented the learnings from their respective V PAY programmes – with all three banks commenting on the high levels of customer satisfaction and significant fraud savings.

All of Italy set to go contactless

As we report in this issue of V PAY Today, Banca popolare dell'Emilia Romagna (BpER) and Banca CRV (Cassa di Risparmio di Vignola) are two of the latest banks to join Europe's contactless payment revolution – by adding a contactless function to their V PAY cards.



But this is part of a much wider trend in Italy – with commitment to a complete contactless roll out encompassing all Visa Europe members and V PAY members.

The Visa Italia and V PAY Italia boards have agreed on the principles of a four year migration programme.

During the course of 2010, Milan will be the focus of activity. The country's acquiring community will prioritise the Milanese retailers, concentrating on those that process the highest volumes of low value cash transactions, such as tobacconists, cafes and convenience stores. Meanwhile issuers will communicate the benefits of contactless cards to the city's famously fashionable and cosmopolitan population.

This focus on Milan will continue through 2011. Then, in 2012, it will be extended to other large cities such as Genoa, Rome, Turin and Venice. By 2013, the aim is to go nationwide, by extending the contactless acceptance infrastructure across the entire country.

An early Italian pioneer was, of course, Credito Valtellinese. Back in 2008, it was the first bank in the world to add a contactless function to its V PAY cards.

By doing so, it was able to introduce card acceptance to many retailers that had only previously considered cash payments. Amongst cardholders, it also saw a definite increase in card activation and usage rates. And, as we reported in the last issue of V PAY Today, Credito Valtellinese subsequently went a step further by embedding a V PAY contactless application in mobile phones.

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Good governance

V PAY is a European product which meets the specific needs of European banks.

Consequently, V PAY is governed in Europe, by Europe, for Europe – and a hierarchy of national and regional decision-making bodies meet on a regular basis to agree on the development of Europe's fastest growing debit product.

For example:

- **V PAY Steering Committee**

At the pan-European level, the ongoing roll-out and management of V PAY is determined by the V PAY Steering Committee (VPSC).

Chaired by Johannes Evers of Landesbank Berlin AG, the VPSC comprises more than 20 senior executives of European banks and inter-bank organisations – and represents issuing and acquiring interests from countries across Europe. The following institutions currently sit on the VPSC:

- **Bank Austria – Austria**
- **Raiffeisen Zentralbank Österreich AG – Austria**
- **BNP Paribas Fortis – Belgium**
- **UniCredit Bulbank – Bulgaria**
- **La Banque Postale – France**
- **Société Générale – France**
- **Bundesverband deutscher Banken – Germany**
- **Bundesverband der Deutschen Volksbanken und Raiffeisenbanken – Germany**
- **Deutsche Postbank AG – Germany**
- **Landesbank Berlin AG – Germany**
- **Banca Carige SpA – Italy**
- **Banca Monte dei Paschi di Siena SpA – Italy**
- **Unicredit SpA – Italy**
- **ING – Netherlands**
- **ServiRed SA- Spain**
- **Cornèr Banca SA – Switzerland**
- **UBS AG – Switzerland**

At the most recent VPSC meeting, discussion focussed on the regulatory environment and, in particular, continuing scrutiny into interchange rates and merchant relationships. It was agreed that V PAY members should mirror the type of changes being introduced by Visa Europe, including added transparency for merchants.

- **National decision-making bodies**

National decision-making bodies have so far been established in Germany, Italy and the Netherlands – to take full responsibility for the national V PAY business strategy and all related marketing activity.

For example, V PAY Deutschland has enabled German banks to choose from a number of optional features, such as a 'zero liability' guarantee for cardholders and the freedom to support secure e-commerce transactions.

The Netherlands – new debit-related developments

In progressing to the new SEPA environment, many of Europe's national banking communities have had to consider the future of their domestic payment markets – and several have chosen to phase out their existing domestic debit schemes.

In countries such as Austria, Switzerland and the UK, for example, the respective banking communities had already chosen to migrate away from existing domestic schemes. And now, after many months of debate and discussion, the Dutch banks have arrived at a similar decision.

Reports in the Dutch media have confirmed that PIN, the domestic debit scheme, is to be phased out by 2012, enabling banks to choose between alternative SEPA-compliant solutions – such as V PAY.

The news follows on from a series of agreements that had already been reached between the Dutch banking and retail communities – which had led to an acceleration of the EMV migration process and set out the terms under which retailers would agree to accept V PAY and competing products.

To keep all stakeholders informed of the situation, a new public website has now been launched at www.hetnieuwepinnen.nl – which outlines the benefits of EMV technology.



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