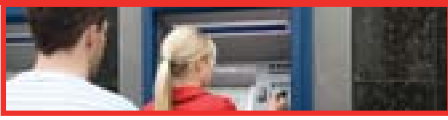
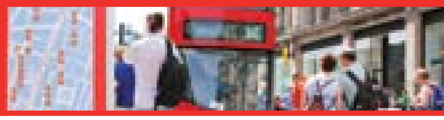
For and against
Who has got it right when it comes to the High Street branch?

Payments supplement
Features on contactless, alternative and mobile payments and SEPA

Sizeable investments
IT is now high up on the insurance market's agenda





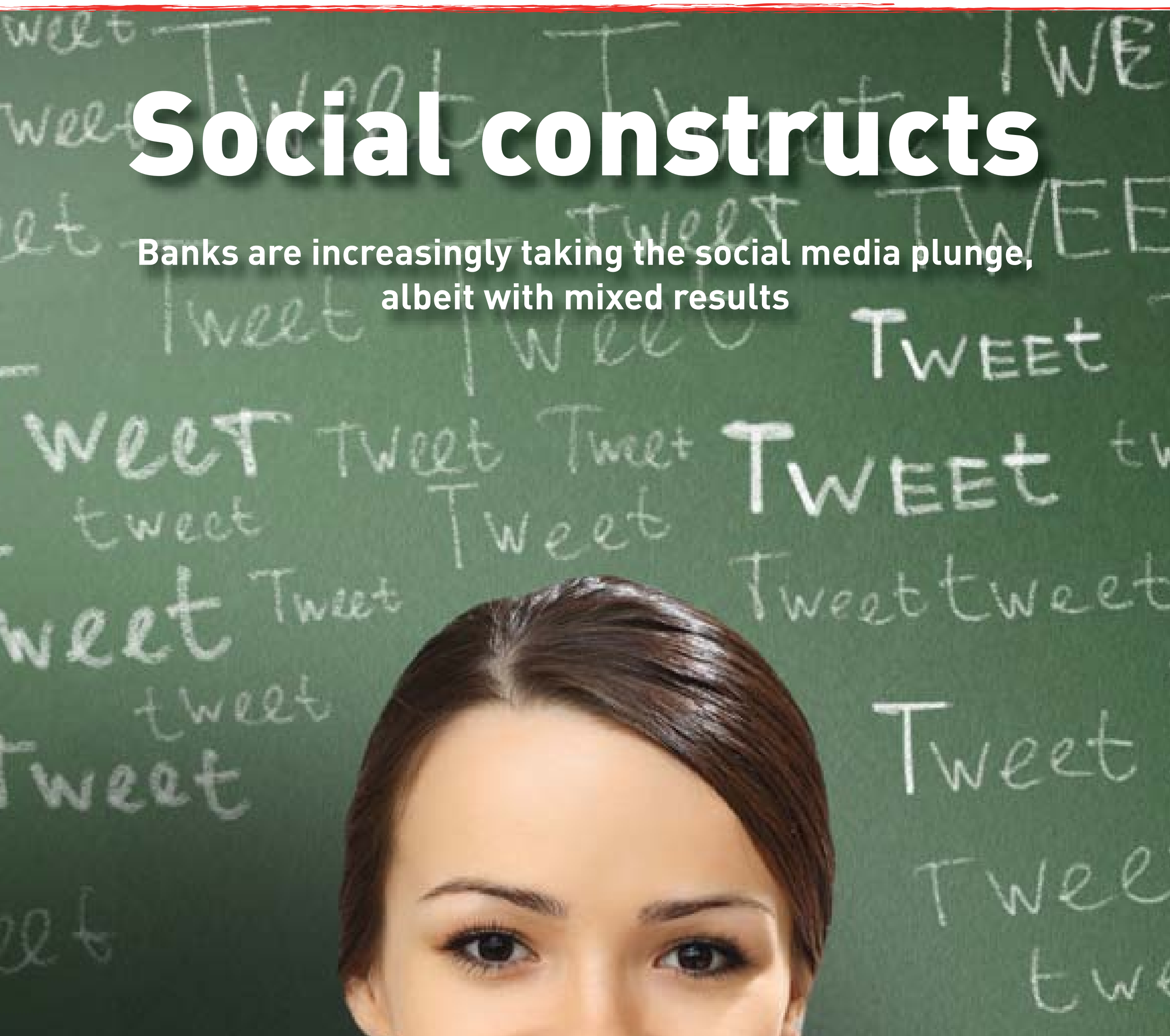
November 2014

FStech

Formerly FST - the leading audited business title for UK financial services technology decision makers

Social constructs

Banks are increasingly taking the social media plunge, albeit with mixed results



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How to Manage Open Source to Minimise Operational Exposure in Financial Services

www.blackducksoftware.com/finance

Black Duck OSS Logistics solutions for financial services provide the most comprehensive automated governance and compliance tools available for open source software.

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editor's letter

Insurance tech covered

This issue of FStech includes a new feature looking at the bouyant insurance software market. Our Editor, Scott Thompson, sets the scene

A reader (or possibly a pesky PR lobbying on behalf of a client, I'm still not sure as to the person's identity) emailed me recently with the question: Why don't you cover the insurance sector in more depth? FStech has dipped its toes into insurance waters on various occasions, but it's true that we haven't written extensively on the subject on my watch. There are two reasons for this. It has tended to leave me cold and staying ahead of the technology curve hasn't been all that important as companies either have a customer for life (pensions and endowments) or they work on a rate churn (home and vehicle insurance). Not exactly a breeding ground for innovation.

So, why are we running a feature in this issue? Well, first up, the amount the global insurance industry spends on IT will reach more than $104 billion by 2018, according to Ovum. The sharp decline of new business across all life insurance markets due to the credit crunch led many insurers to significantly cut their IT budgets. However, accelerating year-on-year growth has brought about a move from cost-cutting to investment in strategic IT projects. Secondly, I thought it was interesting that Aviva opted for someone outside the insurance industry when recently appointing its new chief digital officer (CDO). Andrew Brem will drive Aviva's group-wide digital transformation, impacting customer interactions in such areas as product innovation and development through data analytics, customer insights and risk management, direct distribution, interactive communication and claims handling, and marketing and branding across social media and the mobile internet. From 2012 to 2014, Brem was managing director, commercial & product development at British Gas, where he oversaw the creation of a new brand, Hive, which lets customers control their heating from their mobile, tablet and laptop. Prior to that, he held various leadership roles at Carphone Warehouse and senior positions at Asda and McKinsey. Brem comments: "I am thrilled to be joining Aviva – a strong brand committed to becoming a truly digital insurer. We've all seen how technology has changed the way we live our lives; from buying groceries online to controlling our heating from anywhere with an app. Now is the time to bring the digital revolution to insurance; transforming the way people can buy and use our products every day."

"Insurance can't afford to be boring anymore; the explosive growth of mobile and online has seen to that"

A digital revolution, eh? Wowser. So, insurance doesn't have to be boring. In fact, it can't afford to be boring anymore; the explosive growth of mobile and online has seen to that. To quote Charles Juniper senior analyst, financial services technology, Ovum: "One of the key issues driving insurance IT spending globally is the irreversible shift in consumer power. Customers now demand 'anywhere, anytime' interaction from their insurers and this is reflected in the priorities of the providers. This is critical for non-life insurers, particularly in the North American and Asia-Pacific markets, with both focusing on advancing the functionality of their digital channels."

Turn to pp. 16 - 17 for more on the rapidly shifting insurance technology landscape.

Scott is Editor of FStech. He can be contacted at: scott.thompson@fstech.co.uk

PAYMENT GATEWAY
the best way to pay.

The payments industry today

Currently the UK payments industry is flooded with businesses providing PoS solutions for mobile payments, online payments and electronic PoS. A business owner tends to go for a major brand or company they already know without being aware of what else is available and is likely to be much better suited to them and their business.

Business owners needs to consider number of factors while selecting any PoS/online/mobile payment solution such as

- Transactions charges
- Settlement period
- Refund charges
- Chargeback fees
- Minimum Monthly service Charge (MMSC)
- Gateway fee / charges
- Reporting
- Dynamic Currency Conversion (DCC)

And many more

Payment Gateway has identified that a lot of payment solutions providers tend to blind the business owner with technical jargon, which can include hidden charges and any other incurred costs.

An internet search on a search engine plays an important role in decision making process of a business owner where most of them would likely to visit the top few instead of in-depth searches into other cost effective solutions.

We have found a business owner would call a payment solutions provider, tell them what they are looking for and accept what they have been advised which leads to signing up a contractual agreement with them, which can sometimes mean they cannot break away from it easily.

Business owners tend to be left in the dark once they have signed up with payments solutions provider in terms of on-going reporting and customer service. Integration can sometimes be a complicated process for the business owner and they need hand holding in terms of integrating the payment solution into their website and making it actually work. It has been identified as a stressful and overly complicated process when it really does not need to be.....!

Our Solution

Payment Gateway deals with most of the acquiring banks all over the world and what with our excellent relationships with them, we are able to offer our clients exactly what is right for them and their business.

Our business model is that we are never biased and we always give our clients an option of two or three solutions that are ideal for them and we always tell them the reasons for that. We then leave it to the client to make their own decision.

Finding the right solution is never easy so we ensure we really understand the client's business i.e. history of the business, current setup and future plans. Once we have a clear understanding of the business, we carry out all due diligence including gathering of all documentation required to get the best possible solution with the best provider.

If we believe from the information provided that a client cannot be approved, we have the expertise to work with them to establish what needs to be done in order to get a positive result. A financial institution has a very set criteria on the types of businesses they can or cannot accept. Businesses can be high, medium or low risk depending on their sector.

Payment Gateway has specialist teams within all sectors which ensures each application is processed in accordance with all regulations. The timeline between making an application to going live can be quite long. Payment Gateway can reduce this by upto 50 per cent.

Conclusion

Our staff members are industry experienced professionals and it means is not only can we help them with payment processing but in many other areas. Payment Gateway cares about its clients and their businesses and we treat them as part of the family and we want them to succeed as their success depends on ours.

For more information, contact 0800 012 6046 or email info@paygateway.org.uk

at a glance

Rounding up the essential FS technology news from the last two months

Corporate customers of Barclays will soon be able to access their online bank accounts and authorise payments by using finger vein authentication. The FI is launching a biometric reader, developed with Hitachi's VeinID technology, as part of its ramped up efforts to combat identity fraud. The compact reader will scan and verify users' unique finger vein patterns, and remove the need for PIN, passwords or authentication codes. The tech will initially be available to Barclays' corporate banking clients from 2015. Finger vein patterns are more difficult to replicate than fingerprints and Hitachi's VeinID is already used by banks for password replacement, single sign-on and ATM machines, in Japan, North America and Europe. However, the combination of vein biometric and digital signature technology in the biometric reader is said to be a first for the global financial sector. Barclays added that there was future potential for it to be introduced more widely in UK branch networks, making it accessible to millions of consumers.

Biometric banking at Barclays.

CaixaBank is set to invest Euro 500 million in rolling out its next generation of cash machines. The Spanish bank has commissioned Fujitsu to manufacture 8,500 new terminals which will allow it to offer services developed for its new Punt Groc cashpoint model, such as contactless readers for cards, mobile phones and wearable devices. The new ATMs also come with automatic banknote recognition and recycling units.

As it currently stands, CaixaBank boasts Spain's largest cashpoint network and the third largest across Europe. It intends to start installation of the first new terminals this year, with the project running for the next 10 years. On the digital front, meanwhile, the bank now has 4.2 million mobile banking customers, with its apps downloaded 10 million times. It has also received the second highest score globally in a mobile banking benchmarking report from Forrester Research. The study evaluated mobile applications from 32 large retail banks across Europe, America and Australia. The top spot went to Turkey's Garanti Bank. CaixaBank scored 74 out of 100 overall, but earned full marks in the 'range of touchpoints' category, which examined the development of mobile banking services for different smartphones, tablets and mobile browsers. The report concluded that CaixaBank "offered excellent content on its smartphone app", as it provided strong cues to key tasks and let customers apply for products.

Its Línea Abierta application is available in versions for systems including iOS, Android, BlackBerry and Windows. CaixaBank now handles around 120 million mobile transactions every month, of which 33 per cent involve fund transfers.

Westpac is entering into an exclusive New Zealand partnership with US start-up Moven to launch a series of new mobile initiatives over the next two years. First up, its mobile money management tool will be integrated into the bank's new internet platform in October. Founded in 2011, with its commercial launch taking place in late 2013, Moven recently secured $8 million of funding to expand into new markets, with Westpac New Zealand among its first international partnerships. The bank says that its customers will be able to better understand how they are spending money comparative to their historical averages and, in updates planned for 2015, will be given real-time spending alerts and feedback, combined with tools that help them decide if they can afford to make a purchase.

The likes of Google and Amazon are now seen as the biggest competitive threat to the banking sector, according to a new report from Temenos. Its global survey of 198 banking executives revealed that competitive pressures from outside the industry were considered to be just as serious as competitors from within. Some 23 per cent of respondents ranked technology vendors and specialist payments providers like PayPal as their top threat this year, compared to just 11 per cent of respondents in the same survey in 2012. By comparison, the number of executives citing new challenger banks as posing the greatest risk dropped from 23 per cent in 2012 to 17 per cent in 2014, while overseas entrants fell from 18 per cent to 11 per cent. Existing, large banking incumbents registered a broadly unchanged ranking, at 20 per cent.

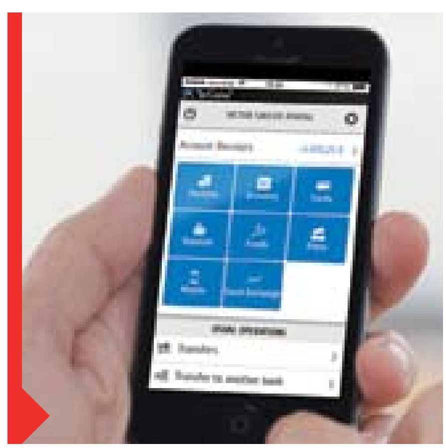
The report, Succeeding through the digital revolution, also found that maintaining customer loyalty was the single biggest concern among banks, named by 30 per cent of respondents. Managing the impact of new regulations and retaining market share were considered the next greatest challenges by 25 per cent of those canvassed. Product innovation was highlighted as the number one investment priority (24 per cent) this year – particularly in emerging markets in the Middle East and Asia. This was followed by investment in digital channels, complying with new regulations and IT modernisation. The survey also suggested a significant shift in banks' attitudes towards cloud computing, with 86 per cent of institutions now running at least one application in the cloud, up from 57 per cent in 2009.

Mobile payments are facing large obstacles in Europe, according to a new IDC Financial Insights report. This finds that, although Europeans are increasingly using mobile devices for this purpose, most payments for physical goods are still made using the traditional e-commerce environment, via the internet browser. Consumers do not have a strong desire to pay with mobile phones and not all will be motivated by rewards and convenience. They're into playing games, accessing social networks, reading news, and checking emails, but at the same time they're perfectly happy to use cash and cards.

Other key findings: With mobile payments potentially adding value to a number of vertical markets, several groups of players — including financial institutions, wallet providers, retailers, and mobile network operators — are trying to take advantage of in-app payments; Given the investment going into contactless infrastructure across Europe, banks will gradually start offering host card emulation (HCE) based mobile payments through their own mobile banking applications; Retailers wishing to offer mobile payments as part of their own apps have no choice but to experiment with non-NFC technologies; SEPA tools and new domestic interbank arrangements will enable and spread mobile payments funded by bank accounts across Europe.

A group of financial institutions have announced a $66 million investment in a new open source, cloud-based communication and workflow platform pitched at FS professionals. Symphony Communication Services Holdings enables firms, customers and employees to exchange content and information on one centralised platform while being compliant with various regulations. As such, it is set to rival data and communications networks run by Bloomberg, Thomson Reuters and Markit. The FIs behind this are BofA Merrill Lynch, BNY Mellon, BlackRock, Citadel, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, Jefferies, JPMorgan, Maverick, Morgan Stanley, Nomura and Wells Fargo. Symphony says that it expects many of them to be early adopters of the platform. "Symphony responds to a pressing need across the industry for better methods of communication and collaboration," says Darren Cohen, managing director and global co-head of principal strategic investments at Goldman Sachs. "We are pleased by the support from many of the world's most prominent financial firms, which speaks to the strong desire for a more open, secure, compliant and efficient communication platform."

David Gurle has been appointed CEO of the venture. Gurle founded Perzo in 2012 with the mission of empowering end-users to own their content while also making communication more collaborative, efficient and secure. As part of its formation, Symphony has acquired Perzo and will combine the company's secure communication technology with Goldman Sachs' proprietary enterprise collaboration platform. It is unclear at this point whether Goldman's stake is higher than the other 13 investors or how much Gurle will own. The platform is set to be available to all FIs worldwide by mid-2015.



Highly rated: CaixaBank's mobile offering.

IN BRIEF

ING has introduced a voice control mode in its mobile banking app in the Netherlands. Initially, customers will be able to use their voice to check their bank balances or give payment orders. Authorisation and logging on are set to be introduced later this year. ING will be piloting the voice command function, called Inge, with a select group of customers from mid-September.

P2P lender Zopa.com handed out cash-topped 'money trees' to London commuters during September. Passengers at Victoria station were offered the mini potted trees, decorated with a £10 note and £10 Zopa voucher, redeemable when a lender first uses the platform. The company claims that lending to borrowers through its site offers a greater rate of return than savings accounts.

Aviva is using Wazoku to power its Customer Cup, a global tournament that looks to find the most innovative and customer-orientated ideas from its 31,000 employees every two years. The insurance firm has implemented Wazoku's Idea Spotlight SaaS, which allows organisations to create internal or external communities for ideas, innovation, feedback and insight.

Turkey's İşbank has integrated Apple's Touch ID fingerprint authentication into its mobile app. This is the first time that Touch ID has been used in Turkish mobile banking. İşbank says that the new functionality removes the need to type in a PIN, enabling a quick and easy log-in without compromising security. Fingerprint authentication for the app is available on iOS 8 for Touch ID-enabled phones.

Digital engagement

[Implications of the digital revolution for the financial services sector were the order of the day at the SAP FS Forum, held in London during September]

Ashtok Vaswani, chief executive of personal and corporate banking at Barclays, highlighted the "significant transformation" currently underway in consumer behaviour, and the challenges this presented for the banking sector. "We live in a world of instant gratification and people want to get things done faster. We have to work on speed, transparency and access not just for digital channels, but across all levels of automation," he said. "Banking has not been developed on real-time systems, so this can be hard, but if we don't get on the bandwagon quickly then we will be left behind."

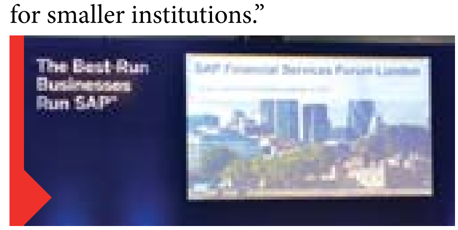
Vaswani added that FIs had to be proactive when interacting on social media channels such as Twitter, and also be prepared to offer help desk access 24/7 to customers using their services anywhere and at any time. "This is a different type of banking that did not exist two years ago. We have to be transparent and customisable at an individual level," he noted. Meanwhile, Mike Baxter, head of the Americas financial services practice at Bain & Company, said that banks still had to offer a varied choice of channels to customers. He cited research which showed that the most digitally engaged banking customers visited a branch just as often as customers who did not use digital channels at all.

"The branch is not going away, and that's the reason direct banking has not killed the banking industry in the last 20 years," he explained. "It's why 'digical' – the marriage of digital and physical – is required to meet customer expectations." He noted that making an omnichannel experience seamless was also key: "Customers need to be able to start on their mobile and finish in branch. This requires a lot of technology and means that the role of tech is changing dramatically."

The evolution of cloud services was also a theme threaded throughout the conference. Daniel Mayo, chief analyst at Ovum, presented the results of a recent survey from Ovum and SAP, which canvassed senior IT decision makers in 400 banks and insurance companies globally. The highest proportion of insurance respondents (34 per cent) said their organisation had allocated between 30-39 per cent of new IT expenditure to Infrastructure as a Service (IaaS), while 37 per cent of banking respondents put this figure between 20-29 per cent.

When it came to Software as a Service (SaaS), 42 per cent of all the executives questioned said they considered using SaaS for every project and sometimes deployed it. A further quarter cited SaaS as their preferred choice, which was deployed where possible.

"We are still in the adoption curve," explained Mayo, "but we are starting to see a shift in the market where SaaS is becoming a more considered option." He added that cloud services could also boost organisational agility and help open up the FS market to new entrants. "Cloud means that rather than the responsibility of the bank or building society, it is the responsibility of the provider to do upgrades. This drives innovation, speed to market and access to new capabilities for smaller institutions."



Finger on the pulse: SAP FS Forum.

Cheque yourself

Depositing cheques digitally will soon become a reality for British banking customers as the legislation paving the way for cheque imaging draws closer

Back in June, it was announced that cheque imaging was set to be introduced in the UK in a government bid to speed up clearing times. The legislation that will give this the go-ahead – the Small Business, Enterprise and Employment Bill – is currently making its way through Parliament, with the Public Bill Committee scheduled to report back in November. The Treasury has said that cheques "are still a crucial part of the British payments landscape" – particularly for small businesses – and that modernising the law in this area would enable banks to use new technology to deliver better services for customers. While people will still be able to deposit cheques at branches, cash machines, Post Offices or by post, under the new plans banks will also be able to offer the option of smartphone, tablets or other devices. Barclays is the first UK bank to pilot this, allowing customers to photograph and pay in cheques through their iPhone banking app, with funds instantly available. Steven Roberts, Barclays' director for transformation, describes the government's move at the time as "an opportunity to move cheques into the 21st century, to reduce costs and make banking easier and more convenient for customers." He adds: "We look forward to working closely with other banks, industry groups and the Treasury to make this a universal nationwide service as quickly as possible, so that all customers with a cheque to deposit can do so through their phone, tablet, branch or self-service device, regardless of who they bank with."

The government's proposal will see cheque clearance time reduced to 48 hours. This is mainly because the new law will allow funds to be settled on a digital image of the magnetic ink character recognition (MICR) line, found at the bottom of a cheque. The new rules will also revoke the right for a paying bank to see the paper cheque before releasing the sum of money.

"The legislation will enable funds to be cleared without the physical document being transferred, but on the basis of an image of the front and back of the cheque that has been transferred electronically," explains Martin Ruda, MD at the Tall Group.

"Irrevocable funds clearance in a maximum of 48 hours is a major step forward that is simple and deliverable by all payment institutions," he continues.

Two million cheques are still processed every working day in the UK, with small businesses among the main recipients. Ruda adds that organisations would most likely use desktop scanning solutions to send large volumes of cheques to banks or clearing houses. "It is exciting to see that the government is on the verge of committing to real progress in cheque clearing. As much of the technology is already available – and up and running at a corporate level – there is enough market intelligence to help make image-based processing a huge success. We are seeing an environment around cheques now where they can improve their efficiency as a payment mechanism and improve the customer experience. There will be more clarity on how cheques operate and more certainty that they can be a cost-effective solution."

Cheque imaging has already been successfully rolled out in the US. Ruda estimates that national implementation in the UK will be completed sometime in the latter half of 2016, in what would be the most significant step change in the cheque sector for many years.

QUOTE / UNQUOTE

Choice quotes from this FStech

"This (the launch of Apple Pay) is a big step forward. With Apple onboard, NFC gets the final seal of approval it needs. Apple's formidable strength is in convincing consumers that they need something, so in that regard its support of NFC is a turning point for worldwide consumer adoption." pp. 28 - 29

"For a mobile payments system to gain widespread traction it must be fully integrated by banks and retailers. We know that Apple Pay has successfully partnered with many of the banks in the US but only has acceptance at less than four per cent of US retail stores. Roll-out will be a mammoth undertaking." pp. 42 - 43

"No-one (using social media) is immune from silly single-issue, largely ignorant fanatics trying to impose their views on other customers...Banks are subject to political pressure (why do you invest in country X or company Y when it is slaughtering thousands of innocents?) and also the pressure of idiots (why didn't you help me when I screwed things up?)" pp. 12 - 14

"Contactless might skip the card quickly and I can see phones or wristbands being more widely adopted...Limits need to be much higher – the industry re-enforces the fraud and security issues by having such a low floor limit (£20)." pp. 37 - 39

FOCUS

2014 FStech/Retail Systems Payments Conference
IoD Hub, London
06 November
www.fstech.co.uk/payments

The payments market is changing rapidly. New non-traditional, digitally savvy entrants have entered the fray and smartphone penetration has really shaken things up. Contactless is finally starting to gain traction, there are various new technologies vying for attention and even mobile wallets (much hyped, but with little to show for it thus far) are being tipped for take off in 2014, reinforced by the likes of tokenisation, digital identity and HCE.

But, as the payments race heats up, how do retailers best create an omnichannel experience for their customers, how do financial institutions adapt their business models and how does the payments market as a whole build trust in new technologies?

Senior figures from across the retail, financial services, technology vendor and telco sectors will come together at the 2014 FStech/Retail Systems Payments Conference to debate these and other key issues, innovations and challenges.

To book your place, contact:

Hayley Kempen, Events Manager
T: 020 7562 2414
E: hayley.kempen@fstech.co.uk

4TH ANNUAL
PAYMENTS CONFERENCE
2014

coming up

FStech rounds up the must-attend FS technology-related shows taking place in the next 12 months

06 November: FStech/Retail Systems Payments Conference
London
Website: www.fstech.co.uk/payments

12-13 November: Apps World
London
Website: www.apps-world.net/europe

20 November: FStech/Retail Systems Payments Awards
London
Website: www.payments-awards.com/awards

10-11 February: Finovate Europe
London
Website: www.finovate.com/europe2015

11-12 March: Cloud Expo Europe
London
Website: www.cloudexpoeurope.com

26 March: 2015 FStech Awards
London
Website: www.fstech.co.uk/awards

14-15 April: TradeTech
Paris
Website: http://tradetecheu.wbresearch.com/

30 April: Engagement & Loyalty Awards 2015
London
Website: http://engagementandloyalty.com/

02-04 June: Infosecurity Europe
London
Website: www.infosec.co.uk

15-17 June: Enterprise Architecture Conference Europe and Business Process Management Conference
London
Website: www.irmuk.co.uk/eac2015

12-15 October: Sibos 2015
Singapore
Website: www.sibos.com

October: IP Expo Europe
London
Website: www.ipexpo.co.uk

FStech roundtables

FStech hosts exclusive roundtables throughout the year, which are free to attend for financial IT professionals. Recent topics under discussion have included cloud computing, social business, retail banking and IT security.

For further information on our forthcoming roundtable events, contact Hayley Kempen at: hayley.kempen@fstech.co.uk. Or on: 020 7562 2414. For sponsorship enquiries, contact Sonia Patel: sonia.patel@fstech.co.uk. 020 7562 2430.

Got an event to publicise? Send the details to Scott Thompson, Editor, *FStech* at: scott.thompson@fstech.co.uk

Further information on industry events at: www.fstech.co.uk/events

Social constructs

It's hard to attract and engage followers on Twitter when everyone hates you. Nonetheless, as Scott Thompson finds, banks are increasingly taking the social media plunge, albeit with mixed results

Banks must offer customers more services on Twitter, Facebook et al or suffer the consequences of being laggards. We've all heard it many times...blah blah blah...Social media banking is the way of the future. But this is not an area without its pitfalls. When you open a Twitter account, aren't you, dare it be said through fear of angering all the social media evangelists out there, also opening yourself up to a world of hurt? To quote a comment made at an FStech event earlier this year, "There is a humourous side to this. Who can imagine banks being in favour of sponsoring sites where consumers who are ill-informed, sometimes stupid, often pathologically unable to follow instructions and probably loss-making for the bank (there's a 60-80 per cent chance of this), can mouth off without having to produce evidence or fear being sued?"

Some FIs are made for this. Take Nationwide Building Society, for instance, which lays claim to being the first High Street financial services provider to offer its customers 24/7 Twitter coverage. At the FStech Omnichannel Banking Conference in June, Paul Beadle, head of consumer and social media, Nationwide, remarked: "A few years ago it was hard to get social media through the door but things have quickly changed. People hate us a lot less than other banks and actually lots of them like us, so we have a good base on which to build a social media presence. It starts to blur the lines between customers, employees and bosses and gives us a personality that people seem to like."

Mohua Sengupta, senior VP for banking, financial services and insurance at ITC Infotech, flags up some other examples of large FIs that have been successful in using social. Royal Bank of Canada has become the first North American bank to enable P2P payments between Facebook friends. Bankwest uses data on customers who reference it across the Twitterverse to provide a prompt reply and personalised service. Commonwealth Bank of Australia, meanwhile, seems to have made the most progress amongst the Australian banks in this space. "One of its more innovative social media uses would surely be their CommBank Kaching Facebook app. It functions similarly to an internet banking platform, giving CBA customers the ability to check their account balances and perform funds transfers to Facebook friends – all within their favourite social networking site," says Sengupta.

India's ICICI Bank has also launched an app that lets users pay friends and track group expenses via Facebook. It also supports the uploading of funds to prepaid accounts and even buying movie tickets online. Elsewhere, some of the online only ventures have already taken social media usage to a next level. "Social CRM is being used to enrich customer data with social media data. This rich information can be used in many ways, such as improving risk assessments and shaping more

effective customer interactions. For example, Moven Bank, the start up who aims at being a mobile-only bank, has integrated customers' financial histories with social timelines, and can provide insight on how social activities impact spending habits, thus successfully combining social and local data."

Others, on the other hand, have experimented with less than stellar results. Remember the Twitter chat with JP Morgan's Jimmy Lee at the end of last year? The intention was to cast in a positive light a company which has racked up billions in fines and legal fees, but it turned into a very public and brutal attack on the business via the hashtag #AskJPM. That it took a risk and that banks have a presence on these sites is, of course, largely down to those all important millennials who, survey after survey tells us, are willing to bank with technology and telecommunications companies. Oh, and they also can't stand the established players. Earlier this year, Scratch, an in-house unit of Viacom, released the results of a three year study which polled 10,000 millennials. In terms of the industry most prime for disruption, not only did banks make up four of the top ten most hated brands, but millennials increasingly viewed these financial institutions as irrelevant. A third believed they'll be able to live a bank-free existence in the future.

Social media, then, is potentially a great way to communicate with those born between 1981 and 2000 and make yourself look relevant to their lives. But once you've dived in, what can you do to protect your brand from the digital wild west? "No-one will be immune from silly single-issue, largely ignorant fanatics trying to impose their views on other customers, about what banks do and where they invest," says Merlin Stone, research director at The Customer Framework. "Success here is measured by the response the bank gives, whether it is quick and measured. But banks are subject to political pressure (why do you invest in country X or company Y when it is slaughtering thousands of innocents?) and also the pressure of idiots (why didn't you help me when I screwed things up?). What these people don't realise is that they are probably doing a service to a bank by dissuading customers the banks don't want anyway. Remember, half the customers banks lose are ones they want to lose."

"So the conclusion, think before you try to learn. What are banks trying to achieve with social media? Is it reactive? Is it to demonstrate a (possibly false) sensitivity to complaints?"

For Joseph Smith, general manager at Hootsuite EMEA, when it comes to customer engagement on social the retail sector is a great example. "They know who they are talking to and what their audience needs and wants, allowing them to create relevant and engaging content," he says.

It could be argued that this is easier territory for retailers to navigate. The tax affairs of Amazon and Starbucks and Tesco's aggressive tactics to gain land and/or planning permission for building new stores might split public opinion, but overall retail organisations haven't had nearly the same level of bad press as the banks in recent years. We all like to grumble about poor customer service, but it rarely if ever inspires hatred among us. Also, unlike retail, the financial services industry is heavily regulated and therefore strict on what can and cannot be said and done on the likes of Facebook. Stone, however, believes that social media is an opportunity rather than a challenge for the banks, "to inform customers who resist all other attempts to inform them. So the challenge is to understand the role that social media plays in educating customers."

The likes of Virgin Money are leading the financial sector on social, Smith believes. They understand the lack of public trust and confidence in the banking sector today and tailor their social platforms to address this. "Campaigns like 'Make £5 Grow' (where primary schools work with Virgin to help educate children about growing a business) align with the brand's entrepreneurial spirit while providing interesting and engaging content that positions Virgin Money as a trusted financial brand committed to the success of the UK's future generation. Similarly its 'Three Minute Money' video series simplifies complex financial initiatives to educate customers about how to be smart with their money."

He adds: "Traditional banks can learn lots from retail competitors, particularly when it comes to using social to increase customer confidence and trust. Retailer banks are also leading the way in providing watertight customer service and service convenience, via social. These are techniques they have learned from their retail heritage and are using to challenge the status quo of banking and meet consumer expectation in the digital age."

Stone, on the other hand, sees much room for improvement. "I used Facebook as my measure, and if you try it yourself, you can see a world of difference between, on the one hand, Santander and Barclays, and at the other extreme (poor) HSBC and Lloyds. It rather looks like it is correlated with the size of the team on it! But what does seem to work is when you have a strong PR theme you want to push."

Something in the way

As has been previously pointed out, it's not easy for banks to get this right, as regulators nip at their heels and disgruntled customers and anti-corporate crusaders wait in the wings, hoping they will slip up so they can pounce and fire off a hostile tweet. For Hootsuite EMEA's Smith, a major challenge is increasing regulation. "While this makes the journey to becoming a social organisation more challenging to navigate, it is still a journey banks must take if they want to meet increasing customer demands for digital services," he says. "Ensuring you have a robust policy in place is a great starting point. This allows you to educate employees in compliance so they clearly understand the do's and don't's. Sometimes it is easier to avoid risk rather than tackle it head on. By establishing house rules on each platform, even for personal use, retail banks can mitigate corporate and reputational risk while empowering employees to use social platforms."

Sengupta comments: "As with ventures such as mobile and online banking, legacy IT systems pose a major challenge for banks looking to implement social media. Fully integrating social media to an existing system adds a fresh layer of complexity to core infrastructure that is already creaking in most cases. Banks have a treasure of data and have multiple channels delivering great feedback from across stakeholders; the challenge is in bringing the data into a single platform and combining social data to get actionable insights."

"Aside from the technical challenge, directly dealing with customers on social media can also be very risky and unpredictable," he continues. "Many brands – banking and otherwise – have seen marketing campaigns backfire spectacularly after backlash from social users. Likewise, they must be well prepared to deal smoothly with negative and challenging contact from customers, especially when there have been issues such as server outages. Banks are yet to make inroads in defining social use-cases for multiple functions of a bank. Social media needs to be considered a powerful tool that can open a new horizon of conducting business in a safe manner."

Phew! Who'd be a social bank, eh? Why not just carry on as normal and hope this all blows over? Well, it probably (note probably, no one truly knows where this is all headed) is worth all the effort and negative comments that will inevitably come your way. At the risk of sounding like one of the aforementioned evangelists, transformation is in the air and FIs have to be flexible and responsive to the way customers want to bank. The trick lies in keeping the faith when the going gets tough and avoiding the temptation to see Twitter et al as a poor relation to traditional channels such as the phone. As Hootsuite EMEA's Smith puts it: "Social media humanises customer service, brings businesses closer to their stakeholders, and makes information more accessible to the knowledge workers at the heart of any banking organisation. We are living in a mobile world and its importance as a communications channel is only increasing. If today's banks want their services to remain relevant then they must start to embrace digital communications, rather than avoid it. Today, social media in banking seen as complex, hard to implement marketing tool, but in the near future it will be the difference between market share and profits as customers expect and demand always on communication on their terms."

Big investments

A number of opportunities and challenges are combining to put IT high up on the insurance market's agenda, observes Glynn Davis

The impact of onerous regulations, an increasingly competitive environment, and the demands of customers for seamless experiences across digital channels is leading to a significant forecasted increase in spending on IT in the insurance market. According to Ovum, the level of global IT spending in the sector will grow to over $100 billion by 2018 on the back of predicted growth in global life insurance IT budgets of 5.4 per cent CAGR (Compound Annual Growth Rate) between 2014 and 2018 – to reach $48 billion – and 4.6 per cent CAGR over this same period for non-life insurance that pushes it to $58 billion by 2018.

Charles Juniper, insurance analyst at Ovum, says: "When the slowdown hit, the insurance companies simply stopped spending. But in 2013 and 2014 the projects on their legacy systems were resurrected and the level of spending is now significant in order to partly overcome the backlog that built up." This spending on what Juniper calls "legacy modernisation" is combined with that of complying with a growing amount of regulation that he says has gone from an "accounting exercise to a significant bit of spending for insurance CIOs out of their year-on-year budgets." The issue of regulation has been around for a good decade and, although it is still a big driver of spending, Juniper reckons the investment in the Solvency II Directive is at least "tailing off" for European operators as the 2016 deadline looms. In contrast, the US is facing increased spending in this area as global harmonisation of regulations creeps up the agenda.

Despite this view of things easing in many regions Mark Holland, co-founder of Holley Holland, believes there is still much pain to come from ongoing regulations and that this will require sizeable budgets. "They need to invest as doing nothing is not an option. The big players can see the writing on the wall," he says, adding that "ongoing regulations will be a hell of a shock" for the insurance industry as they've enjoyed light touch regulations so far and it will suddenly go to heavy touch as they are now firmly in the firing line – taking their turn after the investment and retail banks have been targeted.

He suggests the larger tier one players are assembling teams to deal with the regulation issues but that the tier two and three firms will suffer great pain as they fail to position themselves ahead of the impending changes in compliance requirements. Certainly, Juniper agrees that the regulations have been taking margin out of the insurers' models and that they are also unlikely to ever get back to pre-recession levels of revenues – with premium growth of only two per cent likely to be expected in mature markets. This is resulting in costs coming under the microscope: "Generally the insurance industry is less profitable so the focus has switched to costs. They are taking out costs and managing a legacy modernisation," he says, pointing to a key aspect of this being to retain existing customers.

Omnichannel opportunities

What is helping this is the move to make the experience with customers a lot more flexible and frictionless – with the adoption of digital interfaces and more automated processes being an important part of the modernisation of the legacy systems. Holland says the demand for immediate policy quotes online is growing and the next step he believes will be fulfilling electronically with claims settled automatically after filing the claim digitally. "Some of our clients are spending on large-scale transformation programmes to take them away from what has been highly un-automated [ways of working]," he comments.

Charles Safran, chief executive at Vizolution, recognises this situation: "There is a shift in the way customers engage with insurance companies. They drift across channels and so there is a need to remove the "silo-isation" that is found in large companies." The threat to these larger players is that they inevitably

have more legacy systems than their newer rivals. Vizolution provides a solution that combines the online channel with dealing with a person on a one-to-one basis. Working with LV, for instance, sending medical consent forms via the online channel and getting sign-off helps to "break down the barriers" says Safran and also improves the revenues at the insurance company. Although he admits that the Vizolution solution requires only a modest investment he says the insurance industry is making the right noises broadly: "This is leading to action being taken and revenues are coming through [for us certainly] as people now want to do something. They want to build for the future. This optimism was missing three or four years ago." He adds that the insurance firms now also acknowledge that unlike in the past when investment in innovation was entirely in-house there is now a move to commit budget to best-of-breed products from third parties.

Rob Stavrou, sales and marketing director at Sequel, observes that there is an interesting debate over compliance/regulation and innovation, with some of the new rules stifling innovation: "It can slow down [launching] new products and [entering] new markets. The clever way is to invest in both." He has spotted an increase in spending in innovation following a period when Solvency II had "sucked" a lot of investment from the market. "But now the big organisations recognise they need to get their shops in order so they are looking at modern platforms and front-ends. There is new business being done, with new teams in place," he says optimistically. Projects coming onto the radar of Stavrou include core underwriting platforms, exposure management and workflow systems along with solutions to improve reporting, which he says – along with regulatory demands – are combining to push IT to the forefront of the insurance market.

The increasing need for the transparency of data across business's many operating areas in order to comply with regulation and the harnessing of this very same data to improve efficiencies and better serve the customer is bringing the COO closer to the CIO and CTO. "They were very different roles but now they've blurred, which reflects how business and IT are much closer today. There was a reluctance to spend on IT but companies now see it as tying the different parts of their businesses together, with data now seen as the key to organisations' future success," says Stavrou

This access to data and the modernisation of legacy systems is certainly a requirement of companies looking for growth in overseas territories, according to Holland, who says the trick today is to leverage your existing assets and utilise online and mobile. The latter is an imperative in many emerging economies as it is the primary channel, but this is only workable with the relevant interfaces and the supporting flexible infrastructure at the back-end to make this fly.

There is certainly investment taking place on IT in these markets, according to Ovum, with Asia-Pacific non-life spending forecast to grow 3.8 per cent CAGR between 2014 and 2018 to hit $22 billion. And for life insurance it is predicted to grow 7.9 per cent CAGR to reach $13.5 billion by 2018. However, Juniper cautions that although the annual seven to eight per cent premium growth being experienced in Asia-Pacific markets is very attractive most of this growth is being enjoyed by local players: "There is a realisation that emerging markets are an opportunity but not a bonanza."

Whichever market is being targeted – mature or emerging – the insurance companies clearly recognise that they have to make sizeable investments if they are to adhere to the regulations as well as compete against ever greater competition for increasingly demanding customers.

Data credentials

With the ability to provide deep customer insights, data can be a financial firm's biggest asset. Yet IT systems are often struggling to cope, says Kate O'Flaherty

As an industry that is the product of years of mergers and acquisitions, joined up systems are a far-away dream in financial services. Many firms are using different IT systems for each brand and product, creating a significant technical challenge. Adding to complexity is the Big Data produced by financial companies as well as information from other sources. In order to truly harness this vast quantity of both unstructured and structured information, firms are under increasing pressure to dramatically overhaul both IT systems and ways of working. The insights about customer behaviour and market trends that can be derived from data are oxygen to financial firms: when used optimally, this information can be harnessed to sell new services to existing customers. This is seeing improvements to customer relationships, with new systems able to analyse patterns in order to pro-actively engage with the consumer.

Realising these benefits, many financial services firms are transforming the systems and processes they use to analyse data. New systems are being installed; business processes overhauled and experts employed, dubbed 'data scientists'. "It's a well-known fact that it is cheaper to sell to existing customers than to acquire new ones," Sameet Gupte, SVP and managing director for Europe at Virtusa says. "So having access to data about customers is the perfect opportunity to build loyalty."

Many banks are already taking advantage of this. One firm that is overhauling its data strategy is Western Union, which is transforming both its systems and processes. Sanjay Saraf, the firm's SVP and chief technology officer, explains: "We have been using data, but the big challenge is: how do we leverage structured and unstructured information to drive close to real-time intelligence?"

In February this year, Western Union embarked on a programme to understand data from a customer standpoint. Saraf explains: "We took steps towards integrating retail and online customer data into a master hub to help deliver loyalty programmes. Then we implemented Hadoop." Its system brings the structured data and customer interaction into Hadoop and combines it to provide a clear idea of "which customers are doing specific things at certain times of the year", says Saraf. "We deployed that functionality and we saw how quickly conversion rates improved." Previously, it had examined specific areas, such as improving customer experience. But now, Saraf observes: "We are moving towards leveraging unstructured and structured data from cross channels: retail, web and mobile."

Another firm making data and analytics a priority is Nationwide, which previously used SAS systems, but now wants its operational data to be more joined up. According to Alex Bannister, head of customer marketing: "Our challenge is not to do analytics: it's how we wire up the organisation to see something happen in one part, at one point in time, and to use that somewhere else in the business to help a customer immediately."

The building society is aiming to grow its data credentials further. For example, the firm currently alerts customers when they are reaching their overdraft limit and Bannister says he would like to see this type of capability expanded into a broader set of channels.

Managing data

Data can be split into two categories, according to George Marcotte, managing director for analytics in financial services at Accenture Digital: the internal information housed in a firm's own databases, and external data. "What's challenging about this is that the amount of data is growing exponentially, particularly as behaviours are digitised. The challenge is not just in the volume of data, but also that the type being collected is more different than ever before."

Despite this complexity, he says, an overhaul is worth the effort: those that handle data and analytics optimally should see measureable benefits. Marcotte says some of his clients have seen a 10 to 15 per cent incremental profit increase from top and bottom line improvements. According to him, the most successful firms in this area are implementing a single view of the customer that includes internal and external data. This, he says, entails creating more advanced models to "micro-segment" customers, based on using information to drive out the new understanding of "who they are, what they want, when they want it, how they want it, and from what channel."

But with volumes increasing every day, many firms are still struggling to "join up" their data. "People are interacting in different ways," says Bannister. "Customers are gradually using digital channels and face-to-face is becoming less frequent. The issue that we need to get our heads around is joining up static customers with more real-time sets of data." This is creating a need for more Big Data architectures capable of handling large volumes and types of information, says Marcotte. "It is never a replacement of legacy estates, but more of a hybridisation to enhance what's already in place."

More agile ways of working are also the order of the day. "Much of the work in the financial sector is 'waterfall'; geared toward launching very large and complicated products or services," Marcotte explains. "With agile, the point is to test measurable responses quickly to see if something is working before scaling across the company: you gather as much data as you can, see what it says, develop some products, services or experiences and then implement this in a test to see what comes of it. If outcomes are achieved as intended then great, but sometimes more learning comes from that which are unintended."

These new ways of working are seeing an evolution in the types of technology used to handle data. Once considered high-risk, the low cost and flexibility of cloud is appealing to an increasing number of firms. Many financial services companies are turning to cloud for agility and speed, says Southard Jones, VP of product strategy at Birst. "Many large financial institutions are using cloud business intelligence (BI). A lot of organisations think that you put in data and you will get an 'aha' moment. But it's not about mining through terabytes of information, it's about empowering brokers and financial advisors to use data."

One of Birst's customers, the Royal Bank of Canada (RBC) is using cloud BI for recommending the right products to customers, as well as for generating leads for brokers. "We go through terabytes of data and then when a broker calls some-one, they have the right information," says Jones.

Open source systems such as Hadoop are also helping financial firms to make sense of data. From an all-important compliance standpoint, Western Union's new, Hadoop-based ecosystem is "helping significantly", Saraf says. "It is critical and foundational for us to make sure customer transactions are safe and secure and compliant: we are leveraging data in real-time; we are now doing complex model-based analysis of customer traffic to see what transactions come through and indentify those. Fraud is a big area of focus."

Customer information is integral to financial firms and that is unlikely to change. But as data and analytics demands become more complex, the focus will turn to quality. "How do you make sure data is good quality and complete?" asks Bannister. "There is no point sharing data that's incomplete or wrong, but when the information is a 150 years old, it's hard to maintain quality."

Andrew Loveless

Fighting fraud with geographic information

In Financial Fraud Action UK's report for 2013, it was revealed that credit and debit card fraud has increased to £450 million, its highest level since peaking at £610 million in 2008. Just recently the body released figures for the first six months of this year, and the reading is not good for either financial institutions or their customers, with this type of fraud in the first half of 2014 up by 15 per cent in comparison to the same period in 2013. Following four years of steady decline it appears, even though it is still early days, that credit and debit card fraud is once again on the rise.

Financial institutions and fraudsters are locked in competition and force each other to constantly evolve their methods. One of the major problems the institutions face in this challenge is finding new and effective ways of staying ahead.

In recent years Ordnance Survey has been working closely with a number of financial institutions who have identified accurate location-based information as being an important weapon in their fight against card fraud.

In 2009 we released OS OpenData, a free mapping and data portal that allows anyone, not just banks and insurance firms, to access some of our key geographic datasets. With our help, some banks have discovered that by integrating OS OpenData and some of our premium products into their own data records they can use location information as a proxy to risk. From simple distance from transaction to home or work, to full pattern analysis of typical behaviour, it can reduce the number of false positives and therefore improve the customer experience, as well as help them in the fight against fraud.

However, it is not just card fraud that's on the up. According to the National Fraud Authority the figures for insurance fraud jumped last year by seven per cent and is now estimated at being a £1.9 billion-a-year industry.

Ordnance Survey has a long history of supplying insurance firms with accurate geographic data that can be integrated with their own data to produce bespoke new hazard and risk models for threats such as flooding, subsidence, terrorism, storm, fire and so on.

Last year a major UK insurance firm became the first to do this using our AddressBase Premium dataset. AddressBase, when put through JBA Consulting's datasets, allows this insurance firm to better identify flood risk for all individual UK properties. The improved accuracy means the firm can perform individual flood risk assessments on a property-by-property basis, rather than by postcode. By doing this the firm is now in a position to offer competitive household insurance quotes to properties who are not at risk of flooding, but who may previously have been discriminated against, because of the postcode they live in. The firm can provide 97 per cent of UK households with a quote online and a further 2.6 per cent of households are able to get a quote over the phone; covering over 99 per cent of the market – over a third more than the large insurers are able to provide. And for those households at high risk, the firm works with them to reduce their flood risk by sending out a surveyor to suggest ways of protecting the property.

Insurance firms have also started exploring ways in which our data can be an asset in protecting against fraudulent claims. For instance, after a car drove into a bus, 22 of the 24 bus passengers made claims for whiplash. Using our data, investigators uncovered a fraud worth hundreds of thousands of pounds. It was quickly identified that the passengers and the driver of the car that drove into the bus all lived close together in the same area. It was then noticed how the passengers, who had said they were travelling home, appeared to have all caught the wrong bus, as another bus route ran much closer to their homes. After challenging the passengers further the claims were withdrawn and the organisation was successfully protected against the fraud.

It is clear that to combat fraud, financial institutions must think and act faster than fraudsters can, and geographic data, services and digital solutions have an increasingly important role to play in that.

Andrew Loveless is Commercial Director at Ordnance Survey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The Categories

It's **FREE** to enter the Awards and you can put your organisation forward in as many categories as you wish. This year we have an impressive list of over twenty categories, including three **NEW awards**.

1. Best Use of Social Media
2. Best Use of IT in Retail Banking & Insurance
3. Best Use of IT in Wholesale & Investment Banking
4. Best Trading System
5. Storage Solution of the Year - NEW
6. Data Governance Project of the Year
7. Best Use of Technology in Customer Service
8. Best Use of Online Services
9. Best Use of Mobile
10. Anti-fraud/Security Strategy of the Year
11. Compliance Project of the Year
12. Systems Integration Project of the Year
13. Infrastructure Solution of the Year - NEW
14. Outsourcing Partnership of the Year
15. Payments Innovation of the Year
16. Big Data Project of the Year
17. Omnichannel FS Provider of the Year
18. Financial Sector Innovation of the Year - NEW
19. IT Team of the Year

Supplier Categories:

20. Cloud Computing Innovation of the Year
21. Risk Management Software of the Year
22. Most Innovative Product of the Year
23. Technology Provider of the Year
24. Online Technology Provider of the Year
25. Most Disruptive Financial Sector Technology

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26. Barry Holland Memorial Award for Outstanding Individual Achievement
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People on the move

Marc Stoll

Cloud tech provider Anaplan has announced the appointment of Marc Stoll as chief financial officer. He previously served as VP of worldwide sales finance at Apple. "Marc has tremendous financial and operational experience, a deep understanding of international markets and, as one would expect from his time at Apple, truly understands growth and scale," says Fred Laluyaux, Anaplan president and CEO.

James Corrigan

SimCorp, a provider of investment management solutions and services, has brought James Corrigan onboard as MD of its North American operations. He joins from SunGard Financial Systems, where he held several key management roles over the past seven years, most recently executive VP of capital markets and global trading. Other roles include leadership positions at Navigant Consulting and Headstrong Consulting.

Jon Willis

Global funds transaction network, Calastone, has appointed Jon Willis as chief commercial officer. He joins from BNY Mellon where he served as head of transfer agency for EMEA and APAC. Prior to that, he was chief administration officer at IFDS, State Street's transfer agency organisation, a position he held for 13 years. Willis chairs the UK industry body, TA Forum, and sits on the Board of TEX, the industry re-registration group.

Michael Boucher

Insurance software outfit, RDT, has hired Rob Grigg and Michael Boucher. Grigg takes on the role of chief technical officer after two years as head of architecture at e-tailer ASOS. Whilst Boucher joins the company as group product owner. For the last 13 years, he has worked for South Australia motoring organisation RAA, which has been using Landscape, RDT's general insurance administration system, for nearly three years.

Maurice Cleaves

The Payments Council, the body with responsibility for ensuring that payment services work in the UK, has appointed Maurice Cleaves as interim CEO. He will take up the role in November and has over 30 years of banking experience, having held senior positions in Barclays, Deutsche Bank and JP Morgan. Gerard Lemos will continue as executive chairman until that time, after which he will revert to independent chairman.

Anne MacRae

Anne MacRae has been appointed head of FS, Fujitsu UK & Ireland. According to a company statement: "Anne recognises FS as an industry which is faced with considerable technology driven disruption and stresses the importance of understanding our clients' businesses in shaping the extensive capabilities within Fujitsu to offer relevant, rapid and risk considered solutions and services." She has been with the company for almost eight years.

Luke McKeever

neighbourly.com, a social network where the likes of Starbucks, Marks and Spencer and Carphone Warehouse can be found contributing to community causes, has appointed Luke McKeever as chairman. In his previous capacities as CEO, McKeever helped to grow the likes of Portrait Software, a customer interaction optimisation specialist, and OB10, a global trading network recently acquired by Tungsten Corporation.

Paul Stevens

Paul Stevens is the new chief operating officer at technology firm RedPixie, responsible for growing its international presence, with a particular focus on the USA. Most recently, he was CIO at Legal & General Investment Management, directing all IT activities and services for the company globally. He has also been global head of technology at Man Investments and MD & global CIO at Barclays Global Investors.

For and against

Some are predicting the death of High Street banking. Others are busy investing in their networks and opening new branches. So who, asks Scott Thompson, has got this one right?

TSB is looking at up to 30 potential sites to open new branches, with the first one ready for 2015. These will be in locations targeted to increase the proportion of people within two miles of a TSB. The Campaign for Community Banking Services has calculated that in the first six months of 2014, 300 High Street branches have been shut, more than for the whole of 2013. But TSB believes that this remains a cornerstone of British banking, citing research which shows that 88 per cent of bank accounts and 85 per cent of mortgage applications take place face-to-face.

In September last year, TSB returned to the High Street and since then 24 branches have undergone a refurbishment with a further 231 due to be refreshed by the end of this year. It is reviewing the opening hours of its entire network of 631 branches, using the knowledge of its staff to ensure it reflects the needs of the local communities in which they are based. The bank has also installed 80 new, free to use ATMs across its network and now has 831 ATMs, every one of which will have either been replaced or upgraded by the end of 2015, with 296 being completely replaced.

It's a move which flies in the face of recent Deutsche Bank research, predicting that most bank branches could close over the next 10 to 20 years. As things stand, Lloyds Banking Group has more than 2,200, RBS 2,000, Barclays 1,500 and HSBC 1,150. Yet a decade from now, they could each serve the whole UK with just 500, according to Deutsche Bank's analysts. But TSB is not alone. Metro Bank, for instance, continues to open 'stores' and says that up to 200 are planned by 2020. And earlier this year, new technology was introduced by the challenger bank to allow customers in stores to complete their account opening process electronically, by signing on a tablet and having their paperwork emailed to them.

Digital thinking

Both, however, know that the rise and rise of mobile and online banking can't be ignored. TSB recently re-launched its website www.tsb.co.uk, sporting a more modern look and a new branch locator facility, whilst since the start of the year 100,000 extra customers have started using its mobile banking service. And for all its happy, clappy 'we're an old school community venture'

posturing, Metro Bank has online and mobile offerings. Here's the rub...Transactions in branches cost as much as 50-times as those on a smartphone, the City's watchdog estimates. We'll soon be able to pay cheques via mobiles and Apple's long awaited entry into m-payments with the Apple Pay functionality of the new iPhone 6, iPhone 6 Plus and Apple Watch has got people excited about NFC again. After years of false starts, Apple, the argument goes, has the brand recognition, customer base and infrastructure to push digital wallets to the next level. What, then, will be the point of the High Street branch?

Well, it's all about bricks and clicks, not clicks, clicks and more clicks, according to Paul Pester, chief executive officer, TSB Bank. "We are a different sort of bank, one that firmly believes in providing its customers the flexibility to let them bank in a way which suits them which is why we're continuing to invest in our bricks and clicks model," he says. "We're bucking the trend and opening instead of closing branches because we believe it's the right thing to do for our customers. Whether our customers want face-to-face support for life's bigger decisions such as buying a home, or just to manage their money whilst on the move, we'll make sure they can do it how they want, when they want. Our local banking model is aimed purely at fuelling local economies and we know that the TSB Partners that work in our branches play an important part in the communities they serve. This is why we're looking at the locations of our branches and reviewing our opening hours so we can be there for our customers when they need us most."

He adds: "We're excited about bringing more new branches to Britain combined with an enhanced digital service offering more people the opportunity to benefit from Britain's challenger bank. We're a High Street bank, not a Wall Street bank. Our straightforward and simple approach to banking is designed to deliver the kind of bank people tell us they want. Every penny our customers deposit with us is used to support mortgages and loans for other customers and nothing else. This is what we mean by local banking for Britain."

Nice guys encourage face-to-face interactions, soulless, money grabbing corporations don't. It's certainly a potent, timely message, particularly given TSB's status as the spin-off High Street bank of bailed out Lloyds. But it remains to be seen if it will catch on in these upwardly mobile times. A quick check around my friends and family shows a handful of trips to the High Street this year. I have popped into my local Nationwide once during 2014 and that was to pay in a cheque. Old school, I know.

The big hitters are continuing to invest in this area, though. The free WiFi service in NatWest and RBS branches has been used over one million times by customers since it started in May. A statement issued by RBS said: "Our branches are, and will continue to be, an important place for customers. Having Wi-Fi means the bank is able to support those customers who may not have used the bank's digital or mobile services before, to get started. It is also an opportunity to show them the basics and answer any questions they have."

In other words, we're backing branches on the one hand, but on the other we're doing everything we can to introduce the laggards to the joys of online and mobile services. So hopefully one day in the near future all our customers will be comfortable with digital banking. Perhaps then the Big Six will pull the trigger and Deutsche Bank's forecasts will be borne out. One eye on the past and one on the future, as is so often the case in retail banking.

Taking the plunge

Apple has made its long awaited entry into mobile payments, with the Apple Pay functionality of the new iPhone 6, iPhone 6 Plus and Apple Watch

This integrates with Passbook and lets customers in the US pay for items by touching their device on an in-store terminal, using NFC. It will initially work in 220,000 retail locations Stateside, including McDonald's, the Apple Store and Bloomingdale's. The credit card information isn't stored on the phone nor on Apple's servers with the tech giant stressing at the big launch during September that the transaction is between the customer, the merchant and the bank. Instead, a unique Device Account Number is assigned, encrypted and stored in the secure element on the iPhone or Apple Watch. Each transaction is authorised with a one-time unique number using a device account number and, instead of using the security code from the back of the card, Apple Pay creates a dynamic security code to securely validate each transaction.

"Security and privacy is at the core of Apple Pay. When you're using it in a store, restaurant or other merchant, cashiers will no longer see your name, credit card number or security code, helping to reduce the potential for fraud," says Eddy Cue, Apple's senior vice president of Internet Software and Services. "We don't collect your purchase history, so we don't know what you bought, where you bought it or how much you paid for it. And if your iPhone is lost or stolen, you can use Find My iPhone to quickly suspend payments from that device."

Users add a credit card from their iTunes account, or add a new card using the phone's iSight camera. Once done, they can use their phone at participating bricks and mortar and online retailers by authenticating with Touch ID. They'll be able to get going when a software update becomes available in October. The whole shebang is facilitated by Apple, and supported by American Express, MasterCard and Visa credit and debit cards, issued by the likes of Bank of America, Capital One Bank, Chase, Citi and Wells Fargo, representing 83 per cent of card purchase volume in the US.

Industry reaction....

Mark Prior-Egerton, solutions marketing manager, The Logic Group: "While there has been the impetus within the industry to make wallets an everyday reality, consumer interest doesn't seem to quite have been piqued just yet; even with the likes of Google, PayPal and Amazon bringing their products to the table. Apple, however, has the brand recognition, customer base and infrastructure to really push digital wallets to the next level. Coupled with its reputation as a tech kingmaker and the safe money would be on us seeing a real explosion in mobile wallet usage in the coming months. One concern that perhaps remains for consumers is that of security – this is always the case with any new payment solution. As NFC technology has matured, a lot has been done to allay these fears. The move towards host card emulation (HCE) for instance has negated the common fear of 'what happens if I lose my phone?' This will help reassure consumers as they move to this new way of payments."

Thomas Bostrøm Jørgensen, CEO, Encap Security: "NFC is yet another example of Apple's favourite trick – taking a technology that's been around for a while but making it work in a way that consumers are happy to engage with. The only thing that is really different is security. It's rumoured that Apple has persuaded banks to reduce transaction fees because Touch ID will deliver a higher level of security. And banks around the world are already integrating the Touch ID into their applications. But is Touch ID as impregnable as Apple is making out? Sure it's trickier to subvert a fingerprint than a password, but it's not impossible; Touch ID was 'hacked' less than a month after introduction. And while you can issue a new PIN or password you can't issue a new fingerprint – not without it

being very messy. A single factor, however futuristic, will always be vulnerable to attack. Apple has already suffered reputational damage from the iCloud breach that revealed a lot more than some celebrities wanted. It can't afford to make the same mistake with mobile money."

Neil Garner, CEO and founder, Proxama: "This is a big step forward. With Apple onboard, NFC gets the final seal of approval it needs. Apple's formidable strength is in convincing consumers that they need something, so in that regard its support of NFC is a turning point for worldwide consumer adoption. It is likely to spark a reaction from Android and Windows phone makers who will want to ensure their devices match the innovative uses of NFC we expect from Apple."

Theresa Jameson, senior analyst, consumer payments, Datamonitor Financial: "Apple's fashionably late entrance into mobile payments came with just about all the flash and fanfare needed to distract us from the recent iCloud furore. However, with strong evidence suggesting that mobile wallet security is still a major concern for many consumers, the tech giant's days of being questioned about security – especially where a new payment system is concerned – are far from over. It will need to demonstrate that it can be entrusted with the security of a payment system."

Andrew Morley, CEO, Clear Channel UK: "Both the iPhone 6's NFC mobile wallet and the new Apple Watch offer huge potential to outdoor advertisers. With current UK iPhone ownership at approximately 26 per cent of the market, Apple has the potential to change the perception and raise awareness among brands, advertising agencies and consumers of NFC and the huge potential it holds to engage audiences. Clear Channel's NFC mobile interactive ad platform – Connect – has experienced over 360,000 interactions through Android and other devices since its launch last April; a strong indicator that consumer demand is high. The inclusion of an NFC mobile payment solution in the new iPhone could trigger the start of a battle in the mobile wallet sector. This will mean big brands getting behind a continued education and consumer awareness piece that will encourage people to experiment and use the technology when they see an opportunity such as Connect. It could also offer a truly frictionless way to purchase goods and services on outdoor media."

Russ Spitler, VP of product strategy , AlienVault: "Apple has done a lot with their new payment system. The major breaches we have seen in the last few months would have been addressed if all of the customers had used Apple Pay or similar payment wallets. This is a major move for the payment industry, while the underlying technology is not new, Apple has the market share and mind share to make it popular. Shifts in payment technology are driven by consumer demand, not retailer preference and with the introduction of this system we might actually see the consumer demand for a new payment system start to move the needle. In the past, Apple has proven to manage private data very responsibly; they take encryption seriously and implement it well. They are still prone to attacks against their users such as the recent iCloud issues, but they are working to add more features to help safeguard even in that situation. With Apple Pay I am hopeful we will turn the corner on the horrible status quo of credit cards."

talking point

What does the future hold for social media in the retail banking sector?

Joseph Smith, general manager, Hootsuite EMEA: "The financial services industry in the UK is now at a pivotal point in its adoption of social media. Regulatory demands, bureaucratic inertia and legacy technologies continue to pose challenges, particularly as banks adapt to the new compliance guidelines set out by the Financial Conduct Authority (FCA) around social advertising. The guidelines, which have been implemented to ensure greater transparency in social ad messages from the banking sector, mean customers will see changes to the nature of content banks are posting. For banks, these new guidelines mean employees must be savvier than ever when it comes to adhering to social media policy. Setting up secure accounts and using tools that help easily manage the company's social channels will be integral to mitigating risk. Adhering to regulatory challenges seems daunting, but it's a step banks must take if they are to meet customer service demands and remain competitive. The average consumer isn't aware of the ins and outs of financial regulation on social, they only see the end product. If that end product is unreliable or unreachable on the channels consumers want to communicate through, they will simply take their custom somewhere else. This is why the banks that are successful on social will be successful in business in the digital age."

Mohua Sengupta, senior vice-president for banking, financial services and insurance, ITC Infotech: "The next few years will see banks around the world investing heavily in both infrastructure and strategy for social media. Australian bank ANZ, for example, highlighted social media and digital as a "key business priority" earlier this year. One of the key trends will be moving away from viewing social media as another marketing channel, prone to stunts and gimmicks, and using it to truly engage with customers on an individual level. Many banks now have dedicated, successful customer assistance accounts, and I believe we'll see social media start to take its place as a go-to source for advice and engagement. For example, BBVA Compass is testing a drive-through branch in the US with video conferencing tellers. Nationwide and Santander are incorporating video capability within UK branches to allow customers to benefit from expertise beyond the branch. We will have many institutions start using social media as a part of the daily operations, as a platform to bring various stakeholders on a same platform, that will help them streamline processes, provide real-time insights and thus improve the overall banking experience."

Merlin Stone, research director, The Customer Framework: "The future will bring more experimentation, but a carefully reserved position, though if you look at the number of likes for banks with strong PR-focused Facebook pages compared with those without it, the lesson is clear. Push your PR hard."

Major retailers onboard with Zapp

Zapp, the mobile payments venture set up by VocaLink and due to launch in 2015, has announced tie ups with a number of retailers. Asda, Sainsbury's, House of Fraser, Thomas Cook and Shop Direct (including the very.co.uk, Littlewoods, Isme, Woolworths.co.uk and K&Co brands) have backed the venture. Other retail and biller partners include: Clarks, Dune, Spar, Best Western Hotels (GB), Starstock, QD Stores, Anglian Water, Bristol & Wessex Water, Sutton and East Surrey Water.

Zapp also has in its corner such payment providers as Verifone, Klarna, Touch Go, Siemens, Apogee International, Vix Technologies, Global Charge, Just Desire and RSL. And banks including HSBC, first direct, Nationwide, Santander and Metro Bank, who combined provide current accounts to over 18 million people in the UK. Additionally, almost all major UK acquirers and PSPs are supporting it. The offering bypasses the card networks and offers real-time payments on consumers' mobile phones through their existing mobile banking application via the Faster Payments service. It was initially scheduled for launch at the tail end of this year, but the timeframe has been extended for a commercial roll-out in "the front half of 2015."

Industry reaction

James Frost, chief marketing officer, Worldpay UK: "The High Street is leading the charge for mobile payments as more retailers bank on smartphones for fast and easy sales. According to our research, one in three people in the UK are already using cashless apps and nearly half of UK shoppers are using their phone in-store to check prices, with Zapp's latest partnerships likely only to accelerate this trend. We're not yet at the stage where shoppers will walk out the door if they can't pay via an app, however with consumers now so inseparable from their phones, retailers are clearly realising that mobile payments will make a sound commercial investment for the future."

Lu Zurawski, consumer payments expert, ACI Worldwide: "Partnering with Zapp clearly offers a number of advantages to the retailers involved. It's a pragmatic use of the UK Faster Payments infrastructure and the cost of getting the new system to market would be a lot cheaper than a partnership between a retailer and a phone company for example. What's more important, for every shopper paying with Zapp instead of a payment card, supermarkets should see a reduction in transaction costs (the fee paid for each transaction to a card processing company or bank). Depending on how keenly Zapp sets its fees, these savings will be substantial if large numbers of consumers switch from credit cards to the new scheme. It will be interesting to see what retailers do with this windfall. Will they just pocket it, or use it to fund new promotions and offers they could not previously afford? There are quite a few inter-dependencies here, but it feels like creative retailers have already recognized they have an incentive to get mobile moving. What remains to be seen is whether Zapp will be able to win the hearts of the British consumer and whether shoppers will ditch their cards and start using their bank account linked smartphones at the checkout instead."

David Lowrence, retail client engagement manager, Fujitsu UK & Ireland: "Given the proliferation in smartphone use, it is no surprise that mobile payments have seen such a huge surge. This announcement by Zapp is just the latest move in this story and continues to highlight how technology is shaping the payments industry. However, according to our research, 46 per cent of FS organisations with a turnover of under £100 million have a mobile strategy in place. At a time when many consumers are doing a lot of their shopping online, organisations can no longer afford to be complacent about adopting mobile payments. By adopting new payment technologies, organisations have the opportunity to offer a more exclusive customer experience, creating new possibilities helping to drive increased revenue and excellent customer service."

Will Zapp win over consumers?

Congratulations to the Payments Awards Shortlist 2014

"The Payments Awards, now into its second year is going from strength to strength. There was a 40 per cent increase in entries from the 2013 gathering and I was really impressed with the innovation on display, both from established players and new entrants."
Scott Thompson, Group Editor, FStech/Retail Systems.

Join us to see the winners announced at a black tie Awards Gala Dinner & Ceremony on **Thursday 20 November 2014 at the prestigious Grosvenor House Hotel, Park Lane London.**

Best Online Payments Solution (Consumer)
IP Payments
Klarna
Optimal Payments
Prepaid Financial Services
TransferGo
Vodafone Turkey/Tmob

Best Online Payments Solution (Merchant)
Credorax
FireHost
Global Payments
Realex Payments
Skrill

Mobile Payments Solution of the Year
Barclays Pingit
ECR Retail Systems
Harris+Hoole
Ideal Shopping Direct
iZettle
Payfriendz
Starbucks
Zapp

Best Omnichannel Payments Solution
Kliksa/Tmob
Moss Bros/Adyen
UMT United Mobility Technology
Vodafone Turkey/Tmob
Yapital

Best Contactless Payments Project
Advanced Card Systems
bPay by Barclaycard
Teknosa/Tmob
Tim Hortons
VeriFone/Starbucks
Worldpay

Best In-Store Payments Solution
Bleep UK
Flypay
Payleven
PayPoint
Scanomat
VeriFone/Gondola
Yoyo

Technology Provider of the Year
Bleep UK
Eagle Eye Solutions
Fiserv
Flypay
Monitise
Retail Merchant Services
Savvy
VocaLink

Online Technology Provider of the Year
Digital River
Tmob
Tradeshift
xWare42

Anti-Fraud/Security Solution of the Year
Arxan Technologies
Bonafidee
ecoPayz
Foregenix
iovation
Kount
Vantiv
VeriFone/Vantiv

Most Disruptive Payments Technology - NEW
bPay by Barclaycard
Earthport
Ensygnia
i-movo
Scanomat
Taulia
Yoyo
Zapp

Best Merchant Acquirer/Processor
Credorax
Transaction Network Services/
INETCO Systems
Worldpay

Retailer of the Year
Greggs/Eagle Eye Solutions
Harris+Hoole
Ideal Shopping Direct
Starbucks
Teknosa/Tmob

Financial Services Institution of the Year
Barclays
Barclaycard
Prepaid Financial Services
Wirecard Card Solutions

Best Alternative Payments Project
AcceptEmail
bPay by Barclaycard
Boku
Corethree
Scanomat
Vodafone Turkey/Tmob

Cash Initiative of the Year
i-movo
PayPoint
Ukash

Best Use of Social Media
Retail Merchant Services
TopBrewer/Scanomat

Compliance Project of the Year
Digital River
Handpoint
Quickflix/IP Payments

B2B Payments Innovation of the Year - NEW
Currency Cloud
Earthport
SafeCharge International Group
Tipalti
Tradeshift
VeriFone

Best Prepaid Card Solution
Optimal Payments
Payment Card Solutions
Prepaid Financial Services
Skrill
T-Mobile US

Engagement and Loyalty Scheme of the Year - NEW
Advanced Card Systems
Greggs/Eagle Eye Solutions
Harris+Hoole
Q App
Qatar National Bank

Payments Pioneer Award
Bankgirot
Corethree
Flypay
Global Payments
Tim Hortons
VocaLink (David Yates)
Vodafone Turkey/Tmob

Payments Team of the Year (Financial Services) - NEW
bPay by Barclaycard
Foregenix
VocaLink
Worldpay

Innovation of the Year - NEW
allpay
bPay by Barclaycard
CLS Bank International
E-Meditek Global
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talking heads

Paul Gardiner, head of operations & technology, i-design

FStech: How did you get into the sector?
PG: I was born and raised in Dundee, Scotland, where I've recently returned to work with i-design. Dundee has been considered a "high tech" city since before I was born in the late-70s, so the sector has always been a constant in my life. I started programming on early home PCs from a very young age and I went on to study computer science at University. From there, I worked at NCR as a student intern, and I've been involved in the financial technology sector ever since. My recent move to head up the operations and technology division at i-design continues my career development in the technology sector. I'll be responsible for the product development of the company's full software suite including our flagship consumer engagement software, joono. It is technology like this that continues to keep the industry moving – customer experience is a constant driver in the sector.

FStech: The biggest influence on your career?
PG: My wife Fiona, with whom I worked for eight years at Level Four Software, has been the single biggest positive influence. She keeps me thinking about how I impact, consider and support people when I am driving technology and process change in organisations. In addition, my mentor Andy Kelly of The Leadership Factory, provided me with a huge amount of support, coaching and confidence during my career transition from engineer to manager.

FStech: Who in the sector inspires you?
PG: I'm inspired by innovative small businesses which see opportunities in the financial technology sector that have been missed by the bigger players, and subsequently make significant investments of time and money to implement solutions and successfully take market share. i-design is a clear example of this; the business has grown impressively over the last 13 years, and the in-house creative consultancy and media sales services ensure we can maximise the profitability of the self-service channel from all angles. This has helped it to stay at the forefront of customer engagement software development for financial technology. I'm also inspired by emerging markets and how they adapt technology without implementing massive infrastructure projects first (as we tend to do in Europe), M-Pesa in Kenya is a good example.

FStech: The IT professional you most admire?
PG: Kevin Scott, who is senior VP of engineering at LinkedIn. The implementation of continuous deployment software development principles, which he led at LinkedIn, has been hugely impressive. It's enabled the business to better exploit the value in their huge database of users and develop complementary market opportunities, such as CRM. As well as the technical change, I was equally impressed with how he managed to sell the need for such dramatic change to his public-listed employer.

FStech: Is there anything that you dislike or that frustrates you about the sector?
PG: The under-use of commonplace technology is a frustration. For the last decade we have been carrying multiple computers on our person, be it mobile phone SIMs or chip cards. One individual chip is capable of securely storing and protecting all of our personal and financial data, but they are all used for the relatively simple tasks defined by the card/SIM issuer. Ultimately, moving away from the physical chip altogether via HCE could cause mobile and payments convergence at last.

FStech: What was your last banking experience both online and on the High Street?
PG: Both online and High Street banking technologies are now such an integral aspect of life that it takes something very impressive or catastrophic to stand out. I also see a lot of the "new" technology at trade shows so it's rare for me to be impressed when they finally reach the High Street. That said, I think services that are tailored to help and understand customers are really important. i-design's 'favourite transaction' innovation is an example of personalised tech that understands consumers' spending habits. It discreetly learns an individual customer's ATM habits, and automatically presents their most common transactions when they next visit the machine, offering time-poor consumers the transactions they really want to see right away. Similarly, I was very impressed recently with my credit card provider's fraud detection solution, which had them blocking my card when I spent slightly more than I normally would on consumer electronics. I appreciate the number of transactions they process on a daily basis, so spotting my rare moment of indulgence was a good effort.

A game of two halves

Contactless, mobile and alternative payments and SEPA. There are lots of payment positives to be taken from 2014 but also many hurdles still to overcome in 2015 and beyond

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Gaining acceptance

It's been the next big thing for longer than FStech can care to remember. As Scott Thompson finds, contactless is finally gaining traction, although the future is uncertain

RIP coins and notes, in the capital at least...London buses stopped accepting cash fares on all routes during July. There was some controversy in the build up to this. The Labour Party strongly urged TfL to retain it as a payment method. Valerie Shawcross, London Assembly Member for Lambeth and Southwark, argued: "There may not be many occasions on which you need to pay in cash, but actually they could be crucial and I think TfL should think again about taking this facility away, especially on the night buses."

TfL pressed ahead, however, and so passengers now need to be in possession of a prepaid or concessionary ticket, Oyster card or contactless payment card. It claims that the move will have no impact on the vast majority of passengers as over 99 per cent already pay for their journeys in these ways. A decade ago around 25 per cent of journeys were via cash but that figure has now fallen to less than one per cent.

According to Mark Austin, director of mobile and contactless, Visa Europe: "London has had a long romance with the speed and convenience of the Oyster card and contactless payment cards are now bringing that same experience to our day-to-day shopping habits. Consumers are really embracing the use of contactless payment cards and across the UK, we already

make around 20 million Visa contactless transactions each month. This popularity is set to grow even further as people get used to using their payment cards to pay on London buses."

But is that really the case? Is there much love for this way of paying or is it just being forced upon consumers by the banks, card schemes etc in their rush to do away with cash? "Certainly I agree that the visibility of contactless is higher and that popularity is set to grow. However, there are a few things that are worth noting," says Matt Simester, director of cards & payments, Piran Partners. "Firstly acceptance is still reasonably localised and much stronger within the M25. There is often a danger that London and the south east is a proxy for the rest of the country. It's different elsewhere, where the value proposition/drivers to use contactless from a consumer POV are not front of mind. Secondly, while there is growth, if you look back at the forecasts, two, four, six, eight years ago, the expected adoption rate has not materialised. This adoption rate might be a reasonable proxy for the true adoption of mobile payments. It will be interesting to note whether London businesses actively talk about the problems of card clash like London Underground does – this reinforces a perception for some about lack of security."

Huw Thomas, managing director at PMC, adds: "There are many suitable applications for sub £20 contactless retail transactions and the market for that is well utilised. However, contactless as a general standard will never take off whilst there are payment limits. Also, there are basic problems with ease of use; for me I would want to present my wallet not take the card out and present it separately. This can cause issues where you have multiple contactless cards."

Staying clear

Thirty eight per cent of UK shoppers are avoiding contactless payment methods because they do not know enough about the technology and are worried about security, according to a recent survey conducted by Vista Retail Support. The poll also shows how a further 24 per cent do not use the technology because they do not know which of their cards are enabled for contactless payments, or because nobody has ever demonstrated how to use it. "Security issues will always be a problem where consumer concerns are not addressed. I personally have not seen any evidence of the card schemes addressing this with consumers. Also, I do not believe that the card schemes are issuing enough cards to drive greater uptake. In a quick check around my immediate family there are tens of payment cards, none of which are contactless," says Thomas.

The company has also surveyed retailers with 57 per cent per cent citing the cost and disruption of installation as the chief reason for not rolling it out, while another 14 per cent were put off by the financial burden of maintenance. None of the 100 retailers taking part in its poll thought the technology currently offered the best return on investment (ROI) compared with other new offerings such as in-store tablets or Wi-Fi. However, 62 per cent stated that raising or removing the current £20 cash limit on individual transactions would persuade more companies to adopt the technology. According to 71 per cent, increased demand from customers would be the decisive factor.

If only it were that simple. "They do not know about the technology as there's not really a great value prop for the consumer and retailers have failed to promote it effectively even when they have this acceptance capability," Simester comments. "Security will always be the most important payment processing issue for consumers. However the fear factor is not helped by stories about chip technology being hacked and the issues around card clash. There needs to be a concerted effort to educate consumers and answer the question 'what's in it for me?'. The focus is on the technology. We need to get the marketeers on the case."

There also needs to be a push to solve a significant in-store issue. Whilst contactless is a great way to simplify the transaction, it doesn't tackle the route problem retailers have been mulling for years, argues Daren Ward, partner at Reply UK. "Nearly all retail store surveys place queuing as the biggest issue for consumers. Whilst contactless might take a couple of seconds off each transaction, it doesn't prevent the queue. We need to further explore new mobile payment methods and tackle what we used to call 'queue busting'. The technology is pretty much there, but there is still work to do on the in-store operation; how do we know that person leaving the store with a bag of goods has paid?"

Lots of challenges to confront, then, but the TfL/buses announcement was an undeniable publicity coup, as was the 16 September launch on the London Underground, following a trial involving 3,000 customers; the tube now accepts NFC payments, along with the Overground, DLR and tram networks and National Rail services that take Oyster. And many of the banks are now getting behind this. TSB, for instance, recently announced that it has rolled out 2.2 million new contactless debit cards following its announcement in January that it would issue them to all eligible customers; it saw contactless spend increase in June to nearly six times the amount spent in January and taps by TSB customers have increased fourfold. According to the bank's data, the average payment has been consistently between £6 and £7 during January-June, with many using their cards for smaller purchases at Marks and Spencer, McDonalds, Boots and on TfL buses. Jatin Patel, products director, TSB, says: "We are extremely proud that in just six months all of our eligible debit card customers have been issued with new TSB cards with contactless functionality. Life is increasingly busy so offering our customers the opportunity to 'tap and go' was an important step to ensure they can benefit from the latest and most convenient payment options."

Does the card have a short shelf life, however? After all, there's only so long you can be the next big thing before a new kid on the block comes along to steal your thunder. And that young upstart, in this scenario, is mobile. "Contactless might skip the card quickly and I can see phones or wristbands being more widely adopted," says Simester, who adds: "Limits need to be much higher – the industry re-enforces the fraud and security issues by having such a low floor limit (£20)."

Thomas comments: "I personally do not see a great future for contactless in the payments market. There are plenty of other great applications for contactless but with financial usage limits I do not believe payment is one of them. There are lots of other more versatile payment initiatives entering the market that will probably steal a march on it."

Perhaps the future will be contactless 2.0, that is, a much needed reboot whereby the smartphone replaces the card, security issues are addressed and payment limits are considerably higher. In short, an offering that is unrecognisable from the not particularly mind blowing experience currently being served up to London's public transport users.

Mainstream appeal

Cash may still be king for the moment in the UK, but alternative payment methods are snapping at its heels, notes Michelle Stevens

With technological innovations arriving apace, developments such as digital currencies, mobile wallets, wearable tech and contactless payments mean there have never been more ways for consumers to spend. But will any of these gain mainstream traction here? Some quarters of the financial services sector are sceptical about whether crypto currencies can be a true challenger to traditional payment options, particularly given their value fluctuations. The government is also examining whether virtual currencies should be regulated. The Bank of England estimates that there is currently under £60 million worth of Bitcoins circulating within the UK economy, which represents less than 0.1 per cent of sterling notes and coins. However, the BoE also notes that digital currencies have the "potential to develop over time" and could "serve as money for anybody with an internet-enabled device."

Bitcoin is the best known of the 200 or so offerings out there, and has already spawned 'next generation' followers such as Nxt Coin and GoCoin. The Isle of Man has become something of a crypto currency hub, with more than 20 firms from the sector establishing themselves in the crown dependency. Some retail platforms – perhaps most notably PayPal – have announced that they will start accepting Bitcoin payments. This option will initially be available to merchants in North America, after the firm announced the integration of BitPay into its Payments Hub in September.

Bitcoin-related enterprises are springing up all over the payments space – including Azteco, which became the first bricks and mortar Bitcoin store in the UK this year. Its business model involves a system of vouchers that can be redeemed by customers at any vendor with a Bitcoin address.

Azteco's founder, Akin Fernandez, believes that digital currencies are an inexpensive way of carrying out payment transactions, which will encourage a significant uptake. "Bitcoin will be the main way that people pay for goods online; no firm will pass up the chance to completely eliminate chargebacks and credit card processing fees," he argues. "These advantages are going to propel Bitcoin at a fantastic speed, and increase the amount of goods bought online dramatically. Taking Bitcoin is a simple addition to a shopping cart, so there's no risk and nothing more for online retailers to learn."

Fernandez adds that digital currencies have great potential in emerging markets where significant proportions of the population are unbanked, as people can spend or receive money without a bank account. "Bitcoin can be sent between two people, on any two devices, no matter where they are on the globe, without the need for a bank or money transfer service. You can spend Bitcoin on tens of thousands of websites and it completely eliminates payer fraud."

Areas with potential

The potential to target unbanked customers is also one of the big advantages being touted by the mobile payments industry. Financial institutions and telecoms companies have both made moves in this arena in markets such as Turkey and Kenya, where mobile phone subscriptions far outweigh the number of bank accounts.

In the UK, Paym and Pingit are now providing the capability for people to make peer-to-peer payments using just a contact's mobile phone number. In the retail-related space, digital wallets and mobile payments which are linked to bank accounts or card details are also growing, with players such as Weve, Zapp and most recently, Apple Pay, now set to jostle for space.

Juniper Research estimates that the number of smartphone shipments will approach 1.2 billion this year, up 19 per cent from 985 million in 2013, reflecting consumer appetite for new devices and the potential for mobile payments and banking services. "As the uptake of smartphones and tablets has grown over recent years, it's no surprise that banks have looked to see how the technologies can be used to support their services," comments Anthony Duffy, director of retail banking at Fujitsu UK & Ireland. "Mobile payments is an obvious area of potential where opportunity and consumer interest have coincided, easing access to traditional services – for example, balance enquiries and account statements – while also creating new possibilities and opportunities."

Contactless payments may be taking off on mobile but contactless debit cards are also making significant inroads, with Visa Europe reporting a record 19.7 million contactless transactions – worth £126.7 million – made across the UK in May this year. Mike Gowar, head of tokenisation at Visa Europe, notes that customer propensity to use a contactless card is often affected by the opportunity to do so, so roll-outs at large retailers such as Marks & Spencer, Boots and McDonald's have helped drive adoption.

"On 16 September, Transport for London opened up its entire network to contactless payments, which was fantastic," he continues. "In December 2012, the buses went live with it and we have seen about 19 million contactless transactions since then. It has really driven consumer behaviour because people have been able to use contactless on a regular basis. There are now 300,000 terminals enabled for contactless in the UK and 1.8 million across Europe, so a lot of big merchants are now embracing contactless as a technology."

Wearables are also proving an exciting conduit for contactless technology, with Barclaycard's bPay wristband part of the TfL contactless roll-out, after initial pilots of the wristband at the London Pride and British Summer Time festivals earlier this year. Mike Saunders, managing director of digital consumer payments at Barclaycard, says that positive customer and merchant feedback is shaping future iterations of bPay technology, with an app experience and a smaller wristband and chip on the horizon for next year.

He adds that for true customer adoption, wearable technology needs to add "ongoing daily value" for consumers. "Fitness brands have a loyal following, but also have a short lifespan on someone's wrist," Saunders explains. "The novelty of that device starts to wear off, but bPay is a device that you really can use every day to make life more convenient. Part of our strategy is to look at ways for us to add more functionality to our product, to go beyond just payments. For example, given the chip inside of the device you can do things like build in access credentials for corporate security or a corporate ID."

Wristbands aren't the only wearable technology on the scene, however, with the smartwatch market also gaining momentum. Samsung is rumoured to be launching a smartwatch with payment capabilities in 2015, while contactless payment is also set to be incorporated into next year's Apple Watch. Juniper Research estimates that smartwatches will replace fitness wearables as the most purchased category by 2017, with the market for all smart wearable devices worth $53 billion by 2019.

So, where next for alternative payments? Some people are putting the smart money on biometrics. Biometric identifiers are already being introduced as security measures in the financial sector, with Barclays set to roll-out both voice recognition in its call centres and finger vein pattern scanners for digital banking. Tech companies are also experimenting with the use of biometrics in payments; students at Lund University in Sweden can now pay for food and goods on campus and in surrounding stores by simply using the palm of their hand.

The system – the brainchild of Swedish startup Quixter – involves registering a handprint and phone number at one of the participating shop's palm-reading terminals, receiving a text message and then registering payment details via the website. After initial registration, transactions are completed using only a palm scan. Robust security is a major advantage of this technique, according to founder Fredrik Leifland: "Every individual's vein pattern is completely unique, so there really is no way of committing fraud with this system. You always need your hand scanned for a payment to go through."

So just when you thought there couldn't possibly be any more ways to pay, think again. Cash may just have to watch out.

‘Appy days?

Hannah Prevett looks at a mobile payments sector that is gaining momentum but still has many people to win over

On 19 September, Apple fanboys (and girls) lined the streets outside the tech titan’s stores to get their hands on the brand spanking new iPhone 6 and iPhone 6 Plus. In addition to bigger screens, a beefed up camera and a longer battery life, procurers of the new device will this time also gain access to the highly anticipated new payment platform, Apple Pay. For years tech evangelists have been waxing lyrical about a world in which goods could be paid for at the wave of a smartphone. While mobile wallets have thus far failed to capture the imagination of the general populace, Apple’s entry into the marketplace is the clearest indication yet that mobile payments could be about to catch on.

“Apple’s move into payments is a further sign that mobile payments are going mainstream,” says Justin Basini, CMO and co-founder of Zapp, the mobile payment app. “The company has a history of successfully entering markets only when they are ready for mass adoption. Having them help promote the benefits of mobile payments to consumers is a good thing but it’s clear that consumers want choice and in the UK Apple has less than a third of the smartphone market.”

Indeed, as Google’s largely unsuccessful foray into the mobile wallet space demonstrated, even brand power is no guarantee of victory. “For a mobile payments system to be successful and gain widespread traction it must be fully integrated by banks and retailers. We know that Apple Pay has successfully partnered with many of the banks in the US but only has acceptance at less than four per cent of US retail stores. Roll-out will be a mammoth undertaking,” adds Basini.

While retailer appetite may be lukewarm, it’s certainly true that customers are becoming increasingly comfortable about using their mobile phones to conduct financial transactions. According to recent research from the British Bankers Association (BBA) and EY, banking apps for mobiles and tablets have now been downloaded more than 14.7 million times – a 2.3 million rise since January, equating to 15,000 per day. Once downloaded, customers often become avid users: internet banking services typically receive seven million log-ins a day.

“The rate of adoption of mobile banking was far faster than that of internet banking the decade before,” says Robert Watts, director of media relations at the BBA. Why? “On the one hand, customers learned to trust technology with internet banking and that paved the way for them to adopt mobile banking a year later.” The usability of mobile banking apps helps too, he adds. “It’s extremely easy technology to use. It’s even easier than internet banking. All you need is your phone’s security number, if you have one, and the passcode for the app. You can be in within ten seconds. That ease of use partially explains why people have been so quick to adopt it.”

Potential threats

A question mark over security, often a stumbling block for many first-time internet banking customers, has all but disappeared with the advent of mobile banking. "Customers are generally over that," says Andrea Dunlop, vice president at Optimal Payments, an online payments provider. "They want convenience: even if you lose your phone, all your bank data is protected with passwords and ID checks. In addition, there is less impact of malware on mobile applications versus banking."

Claire, Maslen, financial services relationship manager at GSMA, a trade association for the mobile industry, says that there has been surprisingly little noise about potential threats in this space. "A lot of this is to do with everything we hear in the media is around cloud-based threats – big systems that have been hacked and people's payment data or personal information has been compromised. Fortunately, the mobile operators haven't been subject to this constant criticism – with the exception of the voicemail scandals in the UK," she explains. "Our network security teams invest millions in ensuring data is stored only when needed and it's appropriate to do so, and when it is stored that measures are in place to protect it. From a consumer's perspective, their mobile is a lot more personal than the cloud. Do people really know what the cloud is? At least with your mobile, its yours and if you look after it; emotionally you feel more comfortable."

Watt says there's absolutely no link between fraud and mobile banking. "I use it. Our chief executive uses it very happily. The suggestion of the fraud experts I've spoken to is that you're significantly safer banking via mobile phone than by internet phone because you've got that added layer of security. To access your mobile app not only do they have to take control of your mobile phone or tablet, they've also got to get through your pin code to your phone or tablet as well as the passcode for your app. So there are three layers of protection."

But even assurances about security aren't enough to entice all customers to give mobile banking a whirl. "This sort of technology is not for everyone," admits Watt. "There are some people who don't want to bank either online or by mobile phone; some people prefer to do their banking in branch." And banking customers' preferences are rarely linked to age, he adds. "When I was doing the research I came across somebody in his late 70s. He's of an age where he doesn't want to wander into town, he wants to be able to do his banking from his armchair. Whereas the most zealous supporter of branch-only banking I came across was in his early 20s. So we all bank in different ways."

And the options for mobile banking continue to proliferate. Apple Pay, for example, will be available on the new iWatch, also unveiled in September of this year. Apple isn't the first player exploiting wearables in the financial services space. CaixaBank launched the first bank application for Sony SmartWatch 2 earlier this year which allowed users to choose stocks and indices from international markets and follow them on their smart watches.

The Spanish bank also launched a service designed specifically for Google Glass which incorporates two of the most frequently used CaixaBank services on conventional mobiles: a branch finder based on augmented reality and a currency convertor. The app will show Google Glass users, superimposed on the screen, where to find the nearest CaixaBank branch, the direction they need to travel, how far away it is and the branch telephone number in case they need to call ahead.

But wearables are still an emergent technology. For many banking customers, Google Glass and the like will seem the stuff of sci-fi movies as opposed to tools to carry out everyday tasks. Much of this comes down to education. Barclays is one bank that makes a concerted effort to help customers get up to speed with the latest technology, says Watt.

"Barclays has 7,000 'digital eagles' who are bank branch staff employed in every single branch around the country to help customers. It may be that they want to get online and they're not sure how to do it or they want help setting up the app on their phone or tablet. There's always someone to help them," he adds. "That education is vital."

As Google's largely unsuccessful foray into the mobile wallet space demonstrated, even brand power is no guarantee of victory

Getting there

David Adams looks at the tortuously long road to SEPA completion and at what lies ahead

Around the turn of the Millennium, the brewer Grolsch ran a TV ad campaign in which a friendly but insistent Dutch gentleman prevented people from doing things without adequate preparation. "Stop!" he would cry, when, for example, someone was attempting to eat a bag of raw potatoes. "This packet of crisps is not ready yet! You can't rush these things." His point was that it takes time to make something good. Maybe, but there have to be limits. Take, for example, the remarkably protracted implementation of the Single Euro Payments Area (SEPA), which has been crawling towards completion for around 12 years and has cost banks and corporates a vast amount of money. The end may finally be in sight – if you can imagine being able to see at least two years into the future – but will it have been worth the trouble?

SEPA creates a payments system that allows over 500 million people, and more than 20 million businesses and other organisations to make and receive electronic payments using the Euro, under the same conditions, rights and obligations. Although implementation of the SEPA Credit Transfer (SCT) scheme was relatively straightforward, it took years to make SEPA Direct Debits (SDD) possible, in part because of delays in implementing the Payment Services Directive (PSD), which provides a legal framework for SDD.

SCT launched in 2008 and SDD in 2009, but there was still no great rush on the part of banks and businesses to achieve SEPA compliance, because there was no regulatory imperative to do so until adoption of the regulation by the European Commission in 2012; but also because they were somewhat distracted by the global financial crisis and then the Euro crisis. Inevitably, many deadlines were postponed or extended. The most recent was a six month extension to the original February 2014 deadline for migration to SEPA in the Eurozone. But this final pause seems to have done the trick: while a few exceptions remain, the revised 1 August deadline for migration to harmonised SEPA payment schemes in the 18 Euro countries was met.

There are still issues to be resolved, concedes Edith Rigler, an independent payments consultant who has worked with a number of different banks on this and was programme director for SEPA at HSBC. These include harmonisation of the remaining non-SEPA payment processes, the 'niche products' – credit transfer and direct debit methods which have a market share of less than ten per cent within an EU Member State; as well as variations in the way XML message standards (ISO 20022) and the International Bank Account Number (IBAN) and Business Identifier Code (BIC) are used. Even once those anomalies are ironed out, there will still be a few barriers preventing universal access to a single SEPA-wide Euro account for individuals or organisations, such as the fact that national tax authorities will only pay tax refunds into a domestic account. But overall Rigler hails progress so far as a great achievement.

So does Javier Santamaria, chair of the European Payments Council (EPC). "Meeting this milestone has been a tremendous effort," he says. "[But] 1 August does not mark the end...It is important that countries in and outside of the euro area actively prepare to meet deadlines applicable in 2016."

Those deadlines include harmonisation of the niche products by 1 February 2016; and the deadline for compliance for Euro payments in non-Euro countries, on 31 October 2016. Adoption will then be complete in all 28 EU Member States, the EFTA countries (Iceland, Liechtenstein, Norway and Switzerland), Monaco and San Marino.

Learning process

What lessons have we learned from this process? "One lesson learned is that when you push something through on a very broad base the regulator has to do something, because the market disciplines will not apply changes," says Dirk Vespers, vice-president of product management at Dion Global Solutions, which has helped a number of banks in their SEPA programmes. Only when the aforementioned 2012 regulation was adopted were banks and corporates forced to act.

Once pushed, they did make progress. Michael Knetsch, head of western European cash product, GTS, at RBS, says many of the bank's multi-national corporate customers would have been ready for the February 2014 deadline. Ad van der Poel, head of product management for corporates, GTS, EMEA at Bank of America Merrill Lynch, describes the 1 August deadline as "a non-event", in the sense that it went so smoothly. However, he adds, many multi-national corporates still have five different Euro accounts in five different EU countries, all SEPA-ready, but not yet consolidated or coordinated. "So they have not leveraged the intended benefits of SEPA. Now these clients are starting to look at how they can really reap the benefits, such as account automation and rationalisation. We see a next step that will probably take a good couple of years, refining SEPA as it is today, fine-tuning it and minimising those local variations."

For larger corporates trading in more than one Euro country the theoretical advantages this offers include the chance to streamline internal processes, reduce operational and IT costs; and to consolidate bank accounts and cash management. PwC research suggests SEPA will give businesses across Europe recurring annual benefits, including savings of €21.9 billion per year and the unlocking of €227 billion for liquidity and credit.

Van der Poel outlines further potential benefits for corporates. "One discussion we're having with corporate customers is about centralised receiveables," he says. "We are looking into a concept called virtual account management: a corporate would issue a virtual account to each of their clients and have their client pay into the virtual account. So the corporate knows exactly who paid them and who paid them which amount. That increases automation of reconciliation. That's all based on the SEPA payment transactions. If you use that same XML standard you can automate the whole process across the value chain. An electronic invoice standard has already been defined that uses the same data elements and definitions used for SEPA payment transactions."

For smaller organisations the immediate benefits are less obvious. "For small and medium enterprises operating only in one country there is less of an advantage, but if they do business in other countries there's a big opportunity," counters Knetsch.

There are also benefits for consumers. "Consumers can rely on a single set of euro payment instruments throughout SEPA," says the EPC's Javier Santamaria. "It makes [cross-border transactions] easier for workers, students, holiday home owners, tourists or retirees living abroad."

It has also created the need for the PSD, which supports consumer rights. "The consumer now receives much clearer information and has a refund right, which they did not have before," Rigler points out. And banks have been able to use SEPA to develop new products and services. "Banks operating in many countries can rationalise and centralise their payments businesses," says Knetsch. "If a country joins SEPA they can reach that country through the same instruments."

Beyond 2016 a proposed 'SEPA 2.0' is likely to be sketched out, incorporating card payments not covered today, along with more mobile and online payment methods. It may also be extended into other countries, such as Turkey, where Euros are widely used. A new Euro Retail Payments Board (ERPB) has been established to develop an integrated competitive market for retail payments. It will consider the roles of mobile payments and other new online payment methods.

But further regulation must not be allowed to restrict innovation, warns Patrick Poncelet, senior policy advisor at the European Banking Federation. "You have to let the market innovate, then a few years later you can see which are the winning processes and then you can standardise and harmonise," he says. "We have already had people trying to form groups to standardise m-payments, because they are developing differently in different places – but it's good that they're developing differently in different places! So version 2.0 will be more interesting than version 1.0, but we don't want it to start too early."

Indeed, as the Grolsch drinker so wisely said, you can't rush these things. But still, if we are to see a 2.0, it would be nice if progress went at a slightly faster rate than for version 1.0...

Breaking out

London Underground passengers are now able to use their contactless cards to pay for journeys

The scheme launched in September, following a trial involving 3,000 customers; the tube will be accepting NFC payments, along with the Overground, DLR and tram networks and National Rail services that take Oyster. This follows on from a roll-out on the capital's buses, which went contactless in December and recently became cash-free. A single daily charge will be sent to customers' bank accounts, with the technology behind the project automatically calculating the best value fare for people based on their total travel that day. At the same time, Barclaycard's bPay wristband hit the Big Smoke, allowing Londoners to make contactless payments at 300,000-plus terminals and across the TfL network. Any UK Visa or MasterCard debit or credit card can be linked to the wearable device, bringing onboard the 50 per cent of Londoners currently without a contactless-enabled payment card. Barclaycard says that bPay will help the capital's commuters avoid 'card clash', which can arise where the card readers on buses, stations or at tram stops in London detect more than one contactless card and either take payment from a card that was not intended to be used or present an error message. Those wanting to sign up can visit www.bpayband.co.uk/contactless to register their interest. The first 10,000 applicants will be sent their band in September. The product itself will be free and there will be no usage fees for consumers. At the heart of the offering is a pre-paid account to which funds are either added automatically when the balance runs low or this can be done online.

Industry reaction...

Richard Sanders, payments expert at ACI Worldwide: "A big transport network like TfL taking this step does suggest transport is the much vaunted 'killer application' for contactless payments. The gradual removal of Oyster will reduce paper tickets and cash handling, thus resulting in potentially huge savings. It estimates it can save £30 million a year by not collecting cash from buses; this figure will be very much higher if it can successfully roll-out the technology across the rest of the system. Contactless payments are also more secure and will improve correct fare collection. More importantly it will give TfL improved data on transport usage and will help to schedule trains, buses and tubes more efficiently. They will therefore be one of the first organisations to utilise Big Data. Will TfL's foray mean contactless payments will spread across London? For this to happen it will be crucial to ensure that people who have always used cash 'buy' into the new technology. There are now an estimated 23 million contactless cards in the UK, yet few card holders are actually aware that they have an NFC-enabled card. This will change as it becomes part of their daily routine. Consumer understanding remains relatively low and interest potentially is even lower. However, we are slowly seeing contactless payments break out in other sectors above and beyond transport. McDonald's has been a leading voice here,

Starbucks has also embraced the technology as it suits their business model and others are also embracing the technology. And there are clear reasons why the likes of the big supermarkets and other chains may well be a little slower in adopting contactless. Many of these companies have only just finished updating point of sale terminals to include chip and PIN as they typically have a seven year terminal replacement cycle. Having to replace them again so soon with contactless capable devices is a business case that currently does not stack up, particularly as the transaction limit is £20. What is likely to happen is that we will see pockets of London's infrastructure pick up this technology and take the TfL approach. For others, until there is a legitimate business case to do so, there is no imperative to join the party just yet. So, whilst contactless payments have found a real niche in the transport market, taking that same technology and rolling it out further requires more organisations to develop their business case for contactless cards."

Tobias Schreyer, co-founder and chief commercial officer, PPRO Group: "Following the announcement of Apple Pay, Barclaycard bPay will no doubt encourage the whole industry to adapt at a faster rate and encourage consumers to adapt to a new cashless society. As with Apple Pay, this has the ability to contend with the Google Wallet and PayPal app, and whilst neither of these have hit the UK market, the initial roll-out of bPay to 10,000 Londoners should give a strong indication as to its success in this market. It offers a security benefit insisting that they are less likely to be lost or stolen than a purse/wallet, however security is still an issue with technology such as this and people need to be aware. Customers are always searching for an easier, more efficient experience and the industry is responding to this. Alongside the ban of cash on London's public transport systems, this change emphasises the move towards wearable cashless, and soon cardless payments. This is really good news for the future of mobile/contactless payments and complements already existing offerings from the likes of Cashcloud. Even though the initial roll-out is minimal, retailers should anticipate that consumer uptake will be fast and will need to be ready."

Sandra Alzetta, executive director, Visa Europe: "This is a landmark moment for this easy and convenient way to pay and we're delighted to have played such a key role in its design and implementation. TfL now accepts the 40 million Visa contactless cards already active in the UK and it's our intention that any customer with a Visa-enabled mobile device will also be able to use it to travel on the TfL network. The use of Visa contactless in the UK has continued to gain pace in the last year as consumers become more familiar with the benefits of this easy and convenient way to pay. From June 2013 to 2014, growth in Visa contactless use more than doubled, reaching a total value of almost £140 million. We've seen an incredible response to the launch of contactless payments on London Buses with nearly 19 million Visa contactless journeys made since it launched in 2012. This launch by TfL will be another major boost to contactless usage, leading to the three-fold increase we expect in the next year."

Craig Donaldson, CEO, Metro Bank: "Our figures show that Londoners already spend a significant amount with TFL, with Metro Bank customers spending over £2.2 million on their credit, debit and cash cards on the London Underground in the last six months. During this time, we processed over 150,000 London Underground transactions from our cards, an average of 26,000 a month. What's more, in August we saw a huge 39 per cent rise in the number of transactions across the network, as Londoners took advantage of the sunny weather and longer days. We believe this figure is set to soar from 16 September when anyone travelling on the TFL network will be able to pay for individual journeys with a contactless payment card. Card clash will be a real concern for London transport users, which is why we're giving away free card protectors. Should the wrong card be read, your fare could be charged to a card you didn't intend to pay with or you could be charged two maximum fares. We are focused on providing the best customer service and convenience for our customers, and this extends into every area of our customers' lives. That's why we're inviting all of them to pick up a new card protector from inside any of our stores."

Directory of key players

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CONTENTS

To make the directory section as easy as possible to use, we have added an index of headings above. These are listed alphabetically in order for you to find the products and services you are looking to source.

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Black Duck
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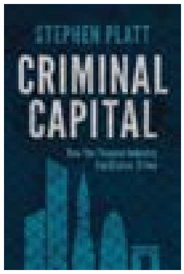
book review



Title: Criminal Capital: How the Finance Industry Facilitates Crime. Author: Stephen Platt. Publisher: Palgrave Macmillan. RRP: £19.99.

Warning! Do not read this book if you despair at the state of the world. It might send you over the edge. Platt is a leading expert on financial crime prevention and the conduct of related regulatory investigations. He is an English barrister and an adjunct professor at Georgetown University in Washington D.C. and over the past 20 years he has been engaged in addressing several high profile matters involving money laundering, corrupt public officials, drug trafficking, terrorism, piracy, proliferation, sanctions and fraud. He has trained several national and supranational law enforcement agencies and regulatory agencies. And he also consults for the regulatory investigations specialists, Stephen Platt & Associates.

The book in a nutshell...In 2008, the world became all too aware of the problem of excessive risk-taking, but at least as pernicious in financial services is the role the industry has played in facilitating crime. Platt has sifted through thousands of files exposing the involvement of financial institutions in different parts of the world that have either facilitated crimes or laundered the proceeds of crimes on behalf of customers. And in this hard hitting tome, he reveals how the finance industry enables corruption, drug trafficking, terrorism, human trafficking, proliferation, piracy and tax evasion. He takes the reader on a tour of abuses from the traditional power house financial centres in New York and London to offshore centres and rapidly emerging international financial industries in the Middle East, Africa and Asia, and scrutinises how banks, brokerages, trust companies and investment funds have become vulnerable to criminal abuse and don't do enough to prevent it. He asks what, if any, measures can be taken to prevent criminals from compromising the legitimacy of the global financial system. Dissecting the "damaging excesses of misleading industry jargon, abusive products, and conflict-entangled relationships that increasingly plague financial services", Platt draws upon observations from his career to expose the vulnerabilities of the sector to a wide range of crimes. Highlights (or lowlights, if you will) include Amex being involved in a scandal in which they wilfully failed to establish an anti-money laundering programme between 1999 and 2004, and as a result $55 million passed through Amex accounts that had its origin in drug trafficking, laundered via the trade-based money laundering system known as the 'black market peso exchange', revealing that undercover agents who had infiltrated Colombian organisations were able to launder money through Amex.

There's also some good old fashioned tax evasion. In January 2013, Wegelin & Co, Switzerland's oldest private bank, decided to close down after pleading guilty to facilitating US tax evasion. A US District Judge ordered Wegelin & Co to pay $57.8 million following allegations that it had allowed clients to hide a total of $1.2 billion from the IRS. It was also alleged that it had actively sought out former UBS clients after the UBS probe became public in 2008.

Platt argues that there is much to be gained, economically and socially, from a reformed financial industry that better balances risk and reward. And he does so in a passionate, informative way. I raced through the book; it's as intense and in-depth as you might expect but also easily accessible. And now, if you'll excuse me, I'm going to have a lie down in a dark room. Somali pirates, Islamic extremists, human trafficking, drug lords...there's only so much sleaze and corruption I can deal with in one fell swoop.

TOP OF THE TWEETS

The most tweeted stories at FStech Online (www.fstech.co.uk) during September/October...

Digital boom boosts FI jobs
Changes in the ways that FIs connect with customers are driving recruitment in the finance and banking industry, according to ManpowerGroup research.

Banks can't get no satisfaction
Banks are spending moderate amounts on technology while also expressing low levels of satisfaction with their technological capabilities, according to an Aite Group report.

2015 FStech Awards ready to go
The 2015 FStech Awards are now open for entries. Further info at: www.fstech.co.uk/awards

New global fraud detection tech unveiled
UK academics have developed prototype software to enable sensitive data to be shared between financial institutions.

Risk management goes mainstream, new survey
Organisations are now increasingly viewing risk management as a strategic core competency rather than just a regulatory obligation. That's according to research undertaken by PRMIA and SunGard.

Debit/credit card spending gap widens
More and more people are choosing their debit over their credit card, according to figures from the UK Cards Association.

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