

# WHAT'S AHEAD IN STORED VALUE

# Prepaid

## TRENDS

August 6, 2008 | Volume 3, Issue 15

### CARD LAUNCH

## Visa's First Contactless Prepaid Card In Australia

By Miranda L. Li

Visa Inc. and Australia and New Zealand Banking Group Ltd. launched Australia's first Visa payWave contactless prepaid card in Sydney.

Australia and New Zealand Banking Group, Australia's fourth-largest bank by market capitalization, has \$365 billion in assets and does business as ANZ.

"ANZ Stadium Visa payWave is the

first reloadable, prepaid contactless card to be launched within Australia," says ANZ spokesperson Cherelle Murphy. "The card can also be used traditionally as a chip or magnetic stripe card."

ANZ first offered the card to the 2,000 ANZ Stadium paid-membership holders who attended the Bledisloe Cup rugby match between Australia and New Zealand July 26.

Paid members of ANZ Stadium enjoy special benefits, including guaranteed seats to all events until 2030, special enclosures, private dining facilities, concierge services, reserved parking and extra ticket options.

ANZ Stadium, originally known as Stadium Australia, is the largest arena in the country and was one of the main venues for the Sydney 2000 Olympic Games.

"The card is free and is loaded with [\$23.70] for members to spend on food and beverages," says Chris Clark, Visa general manager for Australia and New Zealand. "A daily spending limit of [\$185.90] has been set for all transactions, and each individual contactless transaction has to be less than [\$32.54]."

Cardholders can load funds onto their cards via BPay, which is processed though Internet or telephone banking, the statement said. BPay, a bill-payment service adopted across the banking sector in Australia, processes payments via Internet banking and telephone banking for registered BPay merchants.

"For this launch, we have installed contactless readers in the members' areas

### COMPANY PROFILE/MOBILE BANKING

## Depositing Checks Via Cell Phone Image

By Adam Saytanides

With new technology that enables consumers to deposit checks using only a cell-phone camera, Mitek Systems Inc., a San Diego-based image analytics company, is hoping to revolutionize mobile banking.

The proprietary software, called ImageNet Mobile Deposit, is "as close to a killer app[lication] as we've seen in mobile banking," says Mitek CEO James DeBello. Mitek announced the technology in January.

Until now, Mitek has supplied image-scanning software to banks, which use the technology in back offices to reproduce images of checks for processing and

clearing. But now the company is adapting the technology to service bank-account holders—mainly small



James DeBello, CEO, Mitek Systems Inc.

businesses—that want to make deposits from their offices or other remote locations. Until now, remote-deposit capture has required account holders to purchase an expensive scanner, often from the bank. The specialty scanners usually cost around \$1,000, a hefty price for a small

MITEK cont. on p.5 ▶

VISA cont. on 7 ▶

# ATMDEBIT & PREPAID FORUM

**October 5-7, 2008**

**Sheraton Wild Horse Pass  
Resort & Spa | Chandler, AZ**

## **SOME OF OUR SPEAKERS INCLUDE...**

*Susan Abbott, Executive Vice President,*  
BUSEY BANK

*Rob Beveridge, Service Manager,* PNC BANK

*Kerry Brashears, Group Vice President, Card &  
Loyalty Products,* SUNTRUST BANK

*Shelly Chandler, VP, ATM Service Excellence  
Director,* WACHOVIA

*Jobe Conrad, Vice President,* CHASE

*Brian Egan, VP, Retail Product Office,*  
FEDERAL RESERVE BANK OF ATLANTA

*Nancy Gordon, EVP, CitiThankYou Rewards,*  
CITI CARDS

*Ed Kadletz, EVP and Head of Debit Card Business,*  
WELLS FARGO BANK

*Michael Lee, CEO,* ATMIA

*Dion Lisle, Senior Vice President,* CITIBANK GROWTH  
VENTURES AND INNOVATION

*Mark O'Connell, President & CEO,*  
INTERAC ASSOCIATION

*Kendra Pratt, First Vice President, Senior Research  
Manager,* WASHINGTON MUTUAL

*Chris Roberts, SVP, Corporate Management,*  
WACHOVIA

*Marty Snodgrass, Vice President,* NATIONAL CITY

*Chris Van Steenberg, SVP, Cards and ATM Group,*  
CITIZENS BANK

*David Willis, VP, Debit Card and Funds  
Services Division,* NAVY FEDERAL CREDIT UNION

**Plus don't miss out on 4  
content-driven workshops,  
new networking opportunities,  
4 dynamic tracks and our  
annual EFT Network Showcase!**

**EARLY BIRD EXPIRES  
AUGUST 29!**

**DON'T WAIT...  
AN OPPORTUNITY LIKE  
THIS WON'T LAST!**

**SourceMedia**  
CONFERENCES & EVENTS

[www.sourcemediaconferences.com/ATMDebit08](http://www.sourcemediaconferences.com/ATMDebit08)  
800-803-3424 | 212-803-6093

## INDUSTRY NEWS

# BofA Issuing Prepaid Cards To Olympians

By Ben Jackson

**B**ank of America Corp. is issuing Visa-branded prepaid cards to U.S. Olympic and Paralympic athletes for the 2008 summer games in Beijing, the company announced July 22.

Charlotte, N.C.-based BofA is the official bank sponsor of the 2008 U.S. Olympic Team, and San Francisco-based Visa is the official payment-services brand.

BofA plans to issue about 1,500 cards—800 to athletes and the rest to coaches and other staff members, Joseph Goode, a bank spokesperson, tells *Prepaid Trends*.

The United States Olympic Committee would load daily expense allowances for the athletes and staff members directly onto the cards, Goode says. The cards will be issued in U.S. dollars.

BofA issued prepaid cards to Olympic athletes for the winter games in Torino, Italy, Goode says.

The cards have an image of the U.S. flag and the Olympic rings, BofA says.

To use the rings in marketing, companies have to establish an exclusive deal with the U.S. Olympic Committee, Goode says.

“It’s not like the USOC could go somewhere else for this” because it has an exclusive deal with Bank of America, he says.

Consumers can get Olympic-branded credit cards, debit cards and checks, Goode says.

Tim Sloane, director at debit advisory service for the Waltham, Mass.-based Mercator Advisory Group Inc., says prepaid cards offer better security than cash, but he wonders

how many places the Olympians will be able to use the cards outside of the Olympic village.

“China has spared no expense to make things work for the Beijing Olympics,” Sloane says. “I have no doubt the payment infrastructure is one of the things that they spent a lot of money on, ... but it probably won’t work as well as it does in the U.S.”

Visa announced July 8 it would

more than 90,000 ATMs and signed up more than 216,000 merchant locations as of December, the most recent number available, the company says.

Sloane says making kiosks available is not the only challenge Visa faces.

“There are lots of ATMs in China—the challenge is keeping them working,” he says.

Problems sometimes prevent ATMs in China from connecting with



install 26 kiosks in China for the Olympic Games. The company plans to install one in Hong Kong, two in Qingdao, and 17 in competition venues and in central Beijing, the company says. It plans to install the remaining six in front of Bank of China’s retail-bank locations, it says.

Visa and its client banks installed

networks that provide access to consumers’ accounts, Sloane says. ATMs have problems getting power, network connections fail, and employees responsible for ATMs do not always have the proper training to keep them working, Sloane says.

The U.S. Olympic Committee did not comment by deadline. **{PT}**



► **MITEK** cont. from p.1

operation processing fewer than five checks a day, DeBello says.

DeBello cites data from Boston-based Celent LLC that indicate 28 million businesses operate on that scale in the United States. "Checks represent more than 70% of receivables among two-thirds of those businesses," he tells *Prepaid Trends*. According to Celent Analyst Bob Meara half of U.S. small businesses, which he defines as companies with annual revenues of less than \$5 million, accept three or fewer checks per day, and another 15% accept three to five checks daily.

That adds up to "a great unserved market," DeBello says, adding that tapping into that market could bring a windfall that would swing Mitek to profitability.

Mitek posted a \$222,000 loss for the second quarter ended June 30 compared with a \$211,000 loss during the same quarter last year. But DeBello, with more

than a decade of experience as a technology and telecommunications executive for such companies as Qualcomm, is unfazed by the red ink. He believes that with ImageNet, Mitek has a winning formula.

"The timing is perfect," says an optimistic DeBello. "As a small company on the cusp of profitability, this can take us to the next level of financial performance. Microsoft and Google were \$5 million companies at one point. It took a new invention to get them over the top."

Mitek has "two or three" competitors worldwide in the image analytics and check-scanning business, but DeBello insists that "we are the only ones doing mobile deposit, and a patent is in process." Competitors have the ability to create software that could work with a variety of phones, but only Mitek has a staff that understands how to analyze images and knows the telecom and

wireless industries, he says.

Three of the nation's top banks are testing ImageNet software, DeBello says, but he declined to identify them. The big banks "test things quietly before they launch," he says, adding that an announcement for the full-scale launch is anticipated this fall.

DeBello did confirm that Georgian Bank in Atlanta is using the technology. The technology "is working, deposits are being made," DeBello says.

Adopting the camera-phone remote-capture technology helps banks, small businesses and mobile workers by making it easier to deposit checks, according to DeBello. Small businesses with remote deposits do not need to send a courier to the bank to make a deposit or expose themselves to the risks of loss or theft involved with carrying large numbers of paper checks, he says. Also, the new

**MITEK** cont. on p.7 ►

**Prepaid  
Cards**  
International

**Prepaid Trends subscriber offer  
SAVE 20% when you reserve your place**

Reserve your place: +44 (0)20 7563 5627 or email: [events@vrlknowledgebank.com](mailto:events@vrlknowledgebank.com)

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

## Prepaid Cards Summit 2008 Conference & Expo

**Prepaid: How to Deliver Profits**



21-23 OCTOBER 2008 • THE BREWERY • LONDON

**NEW: Pre-conference Workshop • 21 October 2008  
Driving Multi-Channel Growth of Gift and Prepaid Cards for Retailers**

Premier Sponsor



Major Sponsors

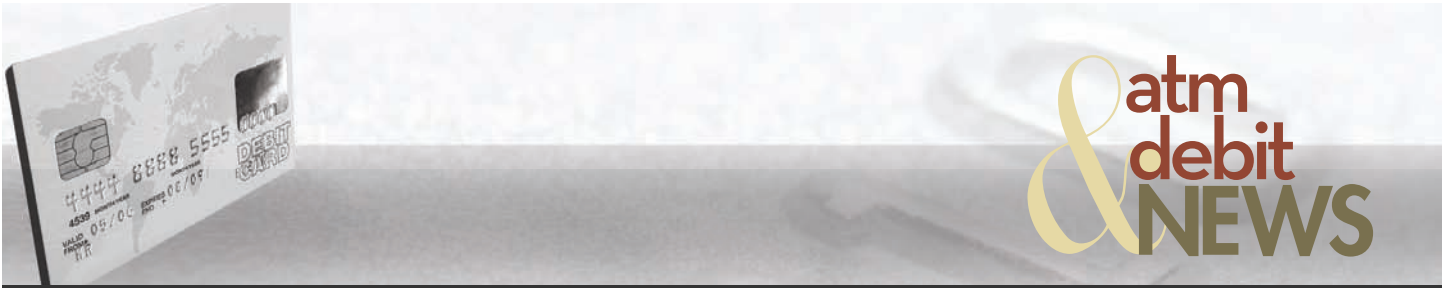


Exhibitors



Brought to you by





**YOUR COMPETITORS READ THIS ENEWSLETTER, AND SO SHOULD YOU!**

# SPECIAL OFFER



Each week our editors bring you the latest news and analysis on the major events and trends that shape the ATM, debit card and electronic funds transfer markets. They distill this information into a concise 8-page newsletter, which is delivered to you via email weekly as a PDF.

**A FREE 4-WEEK (4-ISSUE) TRIAL SUBSCRIPTION and a Bonus Gift\***

Contact Beverly E. Burgess and mention Source Code H8Y4SW.  
Tel: (212) 803-8763 | Email: [beverly.e.burgess@sourcemedia.com](mailto:beverly.e.burgess@sourcemedia.com)



\* After your trial period ends, if you decide to purchase a subscription, you will receive the EFT Data Book, a comprehensive survey of statistics and rankings in the ATM and point-of-sale debit markets. An authoritative guide to the EFT industry since 1984, it's a valuable, must-have resource for executives in this industry. (Value: \$195)

► **VISA** cont. from p.1

of ANZ Stadium, which will allow consumers to use their cards at major events they attend there,” Clark adds.

ANZ Stadium is the first location in Australia to have contactless readers, according to the ANZ spokesperson.

“The benefit of Visa PayWave lies in making small-value transactions more convenient for consumers and merchants,” says Sunil Devmurari, financial cards account manager for Asia-Pacific with London-based research company Euromonitor International Plc.

The contactless card will help Visa increase its share of small-value transactions that have been dominated by cash, Devmurari says.

Given that Australian consumers already are comfortable with cashless transactions, it was not surprising for Visa to team up with an issuing partner to test the success of prepaid contactless cards, Devmurari adds.

However, acceptance of contactless cards remains limited by the small number of merchants that have the necessary acceptance infrastructure at the point of sale in Australia, according to Devmurari.

“Acceptance of contactless cards is at about 9% of total smart cards in circulation,” Devmurari says. “Through 2007 and 2008, there has been a healthy growth in the use of contactless cards in the transportation industry in major Australian cities.”

Issuers will use contactless prepaid cards as a way to distinguish themselves from others, he predicts.

In 2007, Commonwealth Bank, which is based in Sydney, was the first Australian bank to introduce MasterCard Worldwide’s PayPass credit card, also known as ‘Tap N Go’, in Australia. MasterCard also gave away 3,000 prepaid cards that year as part of a promotion for its PayPass mobile-phone trial with Commonwealth.

“Visa’s PayWave card launch is an extension of MasterCard’s introduction of the concept in Australia last year and

indicates that the system has been well-received in Australia so far,” says Frank Lopez, financial analyst with Cannex Pty Ltd., a research firm based in Brisbane, Australia. “We can expect to see these contactless-payment systems grow over

the coming years.”

Visa payWave has rolled out or tested in more than 20 countries, including the United States, the United Kingdom, Canada, France, Malaysia, Singapore, China and Thailand, according to the company.



► **“The benefit of Visa PayWave lies in making small-value transactions more convenient.”**

— Sunil Devmurari, Euromonitor International Plc.



“Contactless payments are an important long-term strategy for Visa,” Visa’s Clark says. “Visa’s partners will be making announcements in the near future regarding more Visa payWave implementations in Australia.” Visa payWave also will become more common on Visa cards over the next few years as EMV chip card technology becomes more widespread, he adds.

Visa declined to disclose the number of payWave cards issued to date. **{PT}**

► **MITEK** cont. from p.5

technology gives contractors on the road the ability to verify a check’s validity the moment they receive it.

Meara notes that despite ImageNet’s convenience, Mitek faces a challenge in finding a suitable sales channel.

Most financial institutions prefer to use check scanners that read magnetic ink to improve the accuracy of the check information, according to Meara writes.

As banks see their margins compressed, mobile banking provides a way to offer more services and charge more fees.

To use ImageNet to deposit a check, guarantee a check’s validity or use a check to pay a bill requires a two-megapixel camera phone. Users photograph both the front and back of the check they are depositing.

The software verifies signatures and can produce and transmit a check image that meets Check 21 standards. The software can make the best of available lighting and improve the quality of the image taken at a skewed angle. ImageNet reads the courtesy and legal amounts written on the face of the check.

Mitek also has features to help protect against fraud or mistaken duplicate deposits.

“We know who the user is and what handset [he is using] through an authentication and login procedure,” DeBello says, adding that the system initiates double-layer security before a check is deposited.

While fraud is an issue in the banking system, “we have a very secure application that prevents fraud to the extent it’s possible,” he says. **{PT}**

# WHAT'S AHEAD IN STORED VALUE Prepaid TRENDS

## Gift Cards. Debit Cards. Payroll Cards.

Receive the latest developments and trends on the fast pace prepaid card and stored valued market with *Prepaid Trends*, a FREE, twice-monthly PDF electronic newsletter.

From legal and regulatory issues to technology and marketing, *Prepaid Trends* offers a fresh approach to this growing industry. Each issue provides comprehensive, insightful and timely analysis of the following topics:

- Breaking news briefs
- The latest promotions
- Q&As with industry executives
- Surveys
- Marketing and advertising
- Prepaid strategies
- Case studies
- And more!

Learn and apply industry tips, strategies and tactics on boosting your company's sales potential.

Sign up today for your FREE subscription!  
Questions? Call (800) 221-1809.



## GUEST COLUMN/UNBANKED

# Take Prepaid to Next Level for Unbanked

By Jennifer Tescher

Five years ago, the general-purpose prepaid card market was still in its infancy. A few hundred thousand cards were in circulation, and no one had formed a trade association.

In fact, we were still calling the cards open-loop stored-value cards, and the industry was just beginning to notice that the underbanked market might provide a good target for the product.

Today, the prepaid debit card has come into its own, and underbanked consumers are a primary target.

Millions of cards circulate in the market, and a hefty roster of market players ranges from issuers to processors to program managers to marketers and distributors. The industry has transformed prepaid cards from relatively spartan products to fully functioning payment cards with bill-payment capabilities becoming the industry norm.

Fees have declined significantly, and most issuers are moving to a monthly fee structure. Program managers have gotten smarter about communicating with customers, and mobile text alerts are becoming the standard.

When priced right and offered with the right consumer protection, general-purpose prepaid cards can become a valuable financial tool for underbanked consumers. They are purchased in numerous locations and easily loaded. They are available to consumers regardless of credit history.

They provide immediate funds access, which is critical for consumers living paycheck to paycheck. They are difficult to overdraw, providing consumers with greater certainty of transaction costs.

The question is, can prepaid cards be more than just payment products? Can they serve as a substitute for a checking account? Can they be a stepping stone to other financial products and services?

Prepaid card providers should hope the

answer is yes. For all the success of prepaid, the product still has shortcomings. For many consumers the card has an air of disposability, and the average card life is well short of a year. Consumers who sign up for direct deposit fare the best, but for most providers, direct depositors represent a minority of the portfolio.

To increase the longevity of use, providers need to add at least two card features that go beyond the basics.

First, they need to enable consumers to save or, put another way, to leave unspent funds on the card over a longer period. Offering consumers a way to save even a few hundred dollars can help them weather unexpected crises while simultaneously generating increased use and loyalty.

NetSpend has been a pioneer in this arena in its partnership with the check-cashing industry, although the effort could use a marketing boost.

Second, for prepaid cards to become a stepping stone, they need to help consumers build credit. A few providers, such as AccountNow, are helping consumers who pay their bills with their prepaid cards have their payments reported, and that is a great first step.

The industry also needs to figure out how the transaction history and data on longevity of ownership and use can come into play in evaluating a consumer's creditworthiness.

Both saving and credit building are carried out more easily in the context of a strong customer relationship. Given the way the majority of prepaid cards are marketed and sold, relationships remain in short supply in the prepaid world.

While there is something to be said for the convenience and relative anonymity of buying a piece of plastic from a J-hook in a store, some consumers want and need more.

One exciting development is coming



## Can prepaid cards be more than just payment products?

— Jennifer Tescher, Director, Center for Financial Services Innovation

from an unlikely source—banks. Slowly, they are beginning to view prepaid cards as lobby products they could sell alongside checking accounts. Some banks are bypassing prepaid platforms altogether to build what are, essentially, checkless checking accounts using existing technology.

That means they are not just selling cards, they are selling the start of a relationship.

Imagine if banks started distributing card-based “checkless” checking accounts through retailers and other channels besides branch banks. That kind of innovation—and competition—could take prepaid cards to the next level.

*Jennifer Tescher is the director of the Chicago-based Center for Financial Services Innovation.*

WHAT'S AHEAD IN STORED VALUE  
**Prepaid**  
 TRENDS

Vice President Jim Callan [770] 935-8330  
 James.Callan@SourceMedia.com

Publisher Andrew Rowe [312] 983-6131  
 Andrew.Rowe@SourceMedia.com

**EDITORIAL**

Group Editor Ed McKinley [312] 983-6152  
 Edward.McKinley@sourcemedia.com

**Managing Editor** Ben Jackson [312] 983-6150  
 Benjamin.Jackson@sourcemedia.com

**Data Editor** James C. Moulton

**Executive Director of Creative Services** Sharon Pollack  
 Associate **Art Director** Gina Capone  
 Associate **Production Manager** Maureen O'Neill

**ADVERTISING SALES**

**Associate Publisher** Bob Mitchell [312] 983-6147  
 Robert.Mitchell@SourceMedia.com

**Regional Sales Managers** Theresa Cryns, Nicole Ingersoll,  
 Hope Lermen

**CUSTOMER SERVICE**

[800] 221-1809  
 custserv@sourcemedia.com

**Circulation Director** Michael O'Connor [800] 221-1809  
 Michael.Oconnor@SourceMedia.com

**Marketing Manager** Marilyn Wong [212] 803-8498  
 Marilyn.Wong@SourceMedia.com

**Chairman & CEO** James M. Malkin  
 CFO William Johnston

**President, Banking Group** Jeff Scott

**Pres., Acuity** Hugh Jones

**VP, Sales & Customer Service** Steve Andreazza


**VP, Finance** Richard Antoneck

**SVP, Operations** Celie Baussan

**Chief Technology Officer** Ivan Latanision

**Exec.VP, Marketing & Strategic Planning** Anne O'Brien

**Senior Director, Human Resources** Ying Wong

 Prepaid Trends is published biweekly by SourceMedia, Inc., One State Street Plaza, 27th Floor New York, NY 10004. Subscriptions are free. For subscriptions, renewals, address changes or delivery service issues contact 800-221 1809. For reprints, call Damian Nash, 212-803-8365; fax, 212-803-1577. Direct editorial inquiries to ISO&Agent, 550 West Van Buren, 11th Floor, Chicago, IL 60607; phone, 312-983-6127. The contents of Prepaid Trends are, and remain, the property of SourceMedia, Inc.  
 © 2008 SourceMedia Inc., and Prepaid Trends. All rights reserved.

# News Briefs

## Seastone Wins Patent For Gift Card Holder

Seastone LC, a gift card-packaging company, has won a U.S. patent for a plastic tray designed to carry a gift card in a gift-card holder or box.

Seastone, which is based in Provo, Utah, has sold 25 million packages to retailers to resell to consumers for gift card packaging. Of those, about 20 million include the tray, says Eric Child, Seastone president.

While Seastone does not plan to license the patent to other gift card packaging companies, Child says the company would not rule that out. Seastone works with most major retailers, so the merchant will not need to change the packaging they offer because of the patent, he says.

## PayPal Now Offering Prepaid Card In The UK

PayPal UK, a division of San Jose, Calif.-based PayPal Inc., has begun offering a reloadable prepaid Visa card

called the PayPal Top-Up Card for consumers without credit or debit cards.

The card enables consumers to spend funds in their PayPal accounts offline and at Internet retailers that do not accept PayPal, the company says.

Anyone over 16 years old may purchase a card, according to Laura Moss, a spokesperson for PayPal UK.

Consumers pay \$9.80 to buy the card, and they can add funds to the card on PayPal's Web site if they have an account or at post offices and stores that use PayPoint across the United Kingdom, the company says.

PayPoint is a UK retail network that offers bill-payment services and travel card services, Moss says. PayPoint has more than 19,500 locations, she says.

PayPal does not charge to reload the card at its Web site. Royal Bank of Scotland issues the cards.

EBay Inc. owns PayPal and also is based in San Jose, Calif. PayPal UK has 20 million accounts, the company says.

## Correction:

In the last issue Gregory Holmes, of Obopay Inc., was misidentified in a photo. *Prepaid Trends* regrets the error.



# Calendar

Please send your meeting and conference news to: Benjamin.Jackson@sourcemedia.com

## The Prepaid Press Expo Aug. 19-21

Caesars Palace, Las Vegas  
<http://www.prepaidpresseexpo.com>

## Mobile Financial Services: Opening Up the Mobile Wallet

**July 29-30**  
 Four Points by Sheraton, Denver  
<https://www.pelorus-group.com/pelconf.htm>

## ATM, Debit and Prepaid Forum

**Oct. 5-7**  
 Sheraton Wild Horse Pass Resort,  
 Chandler, Ariz.  
<http://www.sourcemediaconferences.com/ATMDebit08/>

## Prepaid Cards Australia

**Oct. 28-30**  
 Swisotel, Sydney, Australia  
[http://www.terrapinn.com/2008/pre\\_au/](http://www.terrapinn.com/2008/pre_au/)