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- **James Watts –** Manager, Credit Card Issuing
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2013 ATM Benchmarking Study Results

By Melissa Fox and Sarah McCroy

Findings from First Annapolis's *2012 Study of Leading Bank ATM Deployers* highlighted the ongoing shift in deployers' strategic focus and their return to the customer service roots of the ATM channel. Direct profitability, while still an important factor in managing the business, is no longer a strategic driver for most banks. Instead, focus is on providing customers with convenient, fee-free ATM access and delivering a high quality customer experience.

This shift in strategic focus continues a several-year trend, and prompted First Annapolis to ask: *how has the shift in strategic focus affected deployers' fleet composition, performance metrics, and future projections?*

The First Annapolis Debit and Prepaid practice conducted the 2013 ATM Benchmarking Study[1], and found that the shift in strategic focus is very much influencing deployer metrics and changing the overall ATM landscape. The shift is evident in the changing composition of FI ATM fleets, with on-premise ATMs accounting for an increasing share of FI ATM deployments, and in FIs' increasing volume of "on-us" transactions— trends that FIs expect to continue.

The shift is perhaps most clear in the increased volume of ATM deposits, a result of FIs' focus on, and investment in, image-enabled ATMs, which has been a driving force in reinvigorating the ATM channel. While initially limited to large deployers, deposit imaging is increasingly a competitive requirement. By 2015, image deposits will be a standard ATM feature in the market.

- The average deployer in the participant sample has converted 54% of its full-service ATMs to image depositories, up from 8% in 2011. By 2015, that percentage is expected to reach 91%.
- Individual deployers are at varying stages of migration: within the participant sample, only one deployer has completed its roll-out (and another is 97% complete), while others range from 17% to 70% complete. By 2015 however, six of the nine participants expect to be 100% image-enabled.

As deployers improve the customer experience for ATM deposits, deposit volumes are increasing. The average number of deposits per image-enabled ATM is approximately 2.4 times the deposit volume at envelope ATMs, with one deployer reporting a lift of 9.9x. The increase is likely a function of multiple factors, including customer preference, deployer marketing and education, and prioritization criteria for conversion, but the impact is clear: deposits per full-service ATM (regardless of depository type) increased 21% annually between 2011 and 2013 (see Figure 1).

The migration to image deposits is moving the needle on deployers' overall ATM transaction mix—something that been relatively stable for the last decade or more. Over the past two years, deposits' share of transactions for the average deployer has increased from 6% to 8%, with deployers further along the migration path reaching deposit transaction shares as high as 13% of all transactions (see Figure 2).

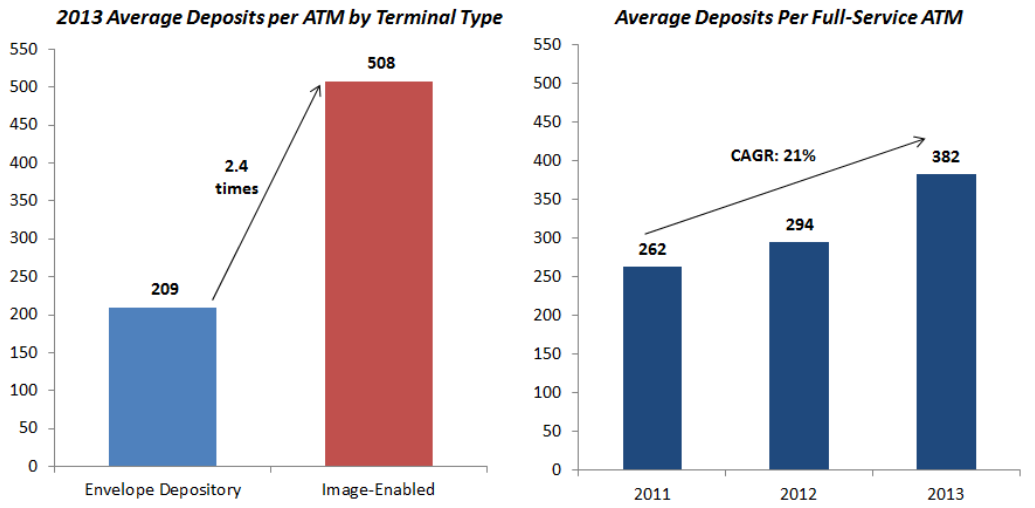
Increased volumes of ATM deposits is one indicator of the changing role ATMs are playing in serving FI customers. This role will continue to evolve as FIs invest in advanced CRM and deposit capabilities, as well as video teller services and other technologies that leverage ATM infrastructure to serve customers in new and more efficient ways. We look forward to tracking the impact these changes have on their channel performance metrics.

[1] Study results are based on data provided by nine U.S. financial institutions deploying a combined 28,000 ATMs. Surveys were distributed in the second quarter of 2013 and collected both historical data for March 2011, March 2012, and March 2013 and projected data for March 2014 and March 2015.

For more information, please contact Melissa Fox, Manager, melissa.fox@firstannapolis.com; or Sarah McCroy, Senior Analyst, sarah.mccroy@firstannapolis.com. Both specialize in Debit and Prepaid.

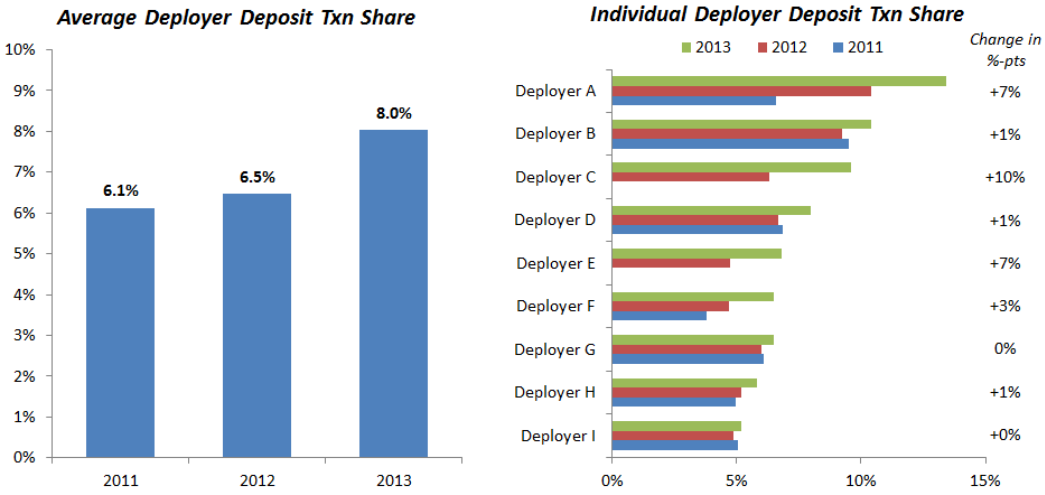
Figure 1: Historical Change in Average Deposits per Full-Service ATM

Average Deployer



Source: First Annapolis Consulting, 2013 ATM Benchmarking Study.

Figure 2: Deposit Share of Transactions



Source: First Annapolis Consulting, 2013 ATM Benchmarking Study.

Apple's iBeacon: Pushing the Retail Envelope

By Matt Zalubowski

In the summer of 2013, Tim Cook, Apple's CEO, introduced iOS 7, the company's new mobile operating system during Apple's Worldwide Developer Conference keynote address. His speech highlighted both major and minor updates to the operating system; one of the smaller additions announced was iBeacon, an application programming interface (or "API") that would leverage Bluetooth low energy ("BLE") for micro-location. At the time of the conference little was made of this announcement. Apple later updated its developer website: "iBeacon, a new class of low-powered, low-cost transmitters that can notify nearby iOS 7 devices of their presence, provides apps a whole new level of location awareness, such as trail markers in a park, exhibits in a museum or product displays in stores." [1]

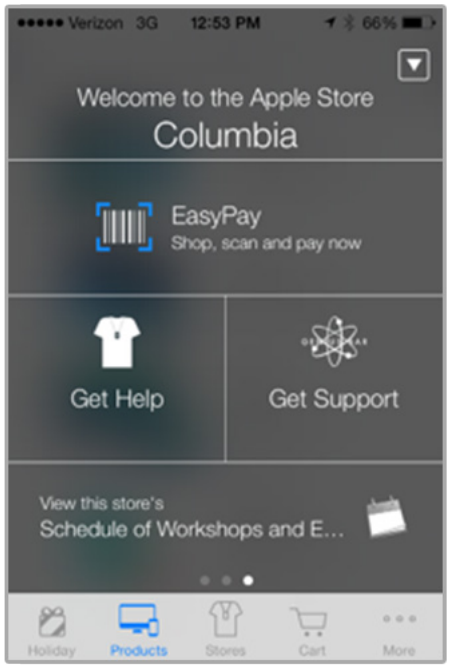
The innocuous update shed light on how Apple once again was taking steps to disrupt the retail landscape by offering a new twist on geo-fencing. Rather than relying on the global positioning system ("GPS") and cell towers to define and trigger entry into a defined geographic territory, Apple's iBeacon will rely on BLE, which is integrated into ~200 million existing iOS devices[2], to deliver or "push" location-based messages and offers.

On December 6, 2013 Apple announced it was rolling out iBeacon in all of its retail stores.[3] A customer carrying a qualifying iOS device can enter an Apple store, receive a welcome message on his or her device (see Figure 1), receive notice that an app-based purchase is ready for pick-up, as well as a variety of other location-specific notifications. To receive these notifications a customer must have the Apple Store application installed on his or her phone and location-based notifications enabled.[4]

At launch it appears Apple is taking a measured approach to introducing iBeacon, utilizing the technology to create awareness of the service and make offers to aid adoption. Upon entering a store, a customer with an eligible device, with Bluetooth enabled, receives a message offering instructions as to how to receive iBeacon notifications. Upon completing the setup process customers are made aware of in-store workshops and during the month of December, were provided an opportunity to download a free holiday iTunes playlist. The workshop notifications and holiday music offer allowed Apple to measure adoption and identify opportunities to improve initial customer interaction (see Figure 2).

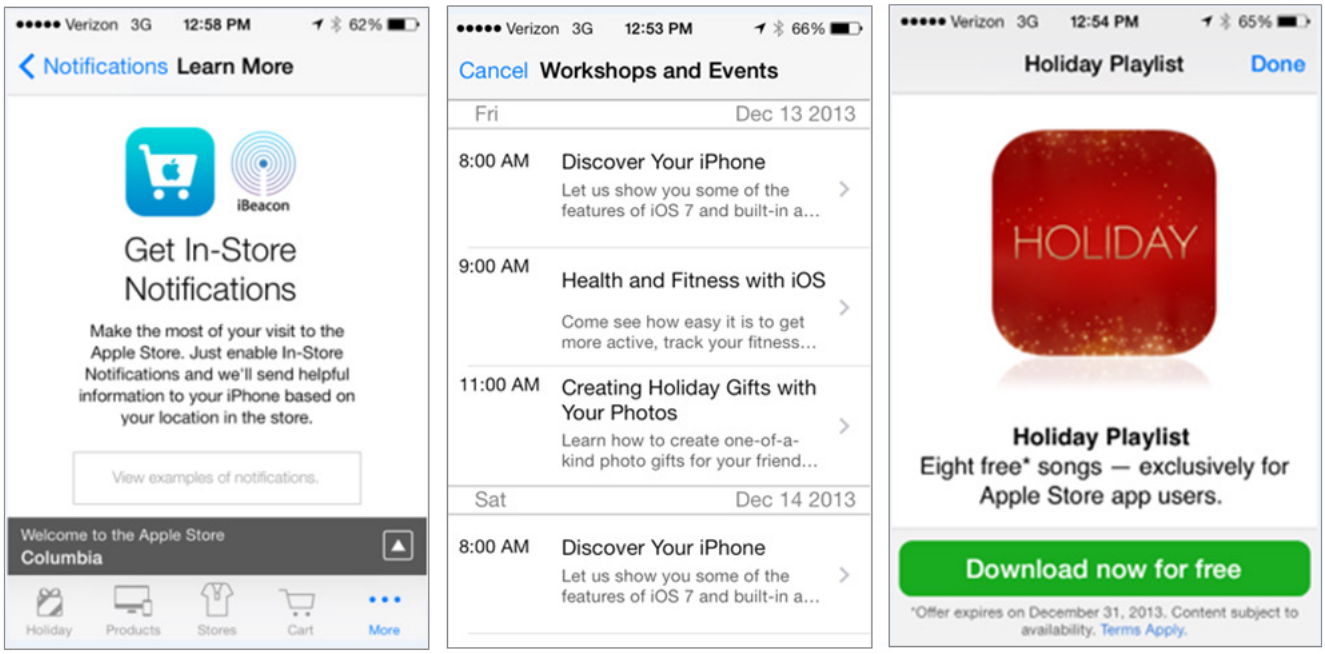
On the surface one could incorrectly categorize iBeacon as a digital couponing hybrid. While we anticipate Apple and other retailers will make

Figure 1: iBeacon Store Welcome Messaging



Source: First Annapolis Consulting research and analysis.

Figure 2: iBeacon Store Instructions and Offers



(Instructions) **(In-Store Events)** **(Holiday Playlist)**

Source: First Annapolis Consulting research and analysis.

discount-based offers via iBeacon, the means to utilize the technology are vast. Retailers will be able to use iBeacon to provide customers additional information including demonstration videos, customer reviews and accessory recommendations. Leveraging technology to supplement the service provided by store associates has the potential to change the manner in which retailers approach merchandising. Macy's, working with the shopping app ShopKick, is testing iBeacon in its New York City Herald Square and San Francisco Union Square locations. ShopKick will prompt users to deploy the application, award ShopKick loyalty points for shopping, provide shoppers with reminders of items that they have "liked" previously and offer department-based recommendations.[5] Another added benefit that Apple announced along with the introduction of iBeacon in its stores was that any BLE equipped iOS device can act as an iBeacon. For retailers like Nordstrom, REI or Kate Spade that utilize iPads in-store, either for accepting payment, processing credit card applications or as interactive signage, existing devices can be deployed as a means to deliver iBeacon notifications. Retailers are not limited to using Apple devices as iBeacons, as several third parties are offering low cost alternatives.

In addition to sharing information with customers, iBeacon will also allow retailers to gather store traffic data to assess the effectiveness of the notifications sent. For example, a retailer, on an end-of-day basis, will be in a position to measure whether displays and the accompanying offers made via iBeacon resulted in an increase in sales. Having the means to quickly determine what information to include and which offers to make to customers will aid in managing margins and inventory turnover. Additionally, a retailer can utilize iBeacon to provide store directory information and accompanying directions to find a particular product. Major League Baseball has announced that it will utilize iBeacon to help fans locate assigned seats, restrooms and exits as well as make vending offers.[6] The Consumer Electronics Association deployed iBeacon to facilitate an attendee scavenger hunt at the firm's recent 2014 International CES technology expo.[7]

While iBeacon appears to be promising and possibly game-changing, it is unproven. It remains unclear whether it will be well adopted by retailers or capable of influencing customer behavior. Retailers will have to overcome customer opt-in and privacy concerns. And the competition, including PayPal and Qualcomm, is in the process of developing and rolling out competitive offerings.[8] This said, iBeacon demonstrates that technology is ever improving and beginning to converge in areas that could offer greater one-to-one retailer-to-customer engagement. While not in place today, one can easily envision how iBeacon could be married with some of Apple's other assets (i.e., iTunes, AirDrop, Touch ID) to offer a true mobile payment solution that could facilitate check-out without having to make a stop at the cash wrap.

[1] https://developer.apple.com/ios7/
[2] http://techandgadgetnews.com/the-internet-of-ithings-apples-ibeacon-is-already-in-almost-200-million-iphones-and-ipads/ - devices include iPhone 4S and later, iPad3 and later, iPod touch 5, iPad mini and later
[3] www.apple.com/hotnews
[4] Location-based notifications can be turned on and off by the phone's owner via the phone's settings.
[5] www.shopkick.com/shopbeacon
[6] http://techcrunch.com/2013/09/29/mlbs-ibeacon-experiment-may-signal-a-whole-new-ball-game-for-location-tracking/
[7] http://appleinsider.com/articles/14/01/02/apples-ibeacon-tech-to-be-highlighted-in-ces-scavenger-hunt-
[8] https://www.paypal.com/webapps/mpp/beacon and http://www.qualcomm.com/solutions/gimbal/beacons

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U.S. EMV in 2013, and a Look Ahead

By Stephen Kiene

U.S. payments industry deployment of EMV technology accelerated in 2013 to help combat rising card fraud, but widespread industry adoption still faces multiple obstacles. Merchants remain suspect about EMV investment, and while the debit industry took steps toward a common debit application, those initiatives were significantly disrupted by Judge Leon's July ruling on Durbin regulations. Despite clear progress, these obstacles have created additional uncertainty about the ultimate timing of an EMV rollout.

U.S. payment card fraud increased 14.5% in 2012 to $5.33 billion, with U.S. counterfeit fraud alone accounting for 26.5% of all global card fraud in that year.[1] The U.S. is the only global region with consistently rising counterfeit card fraud, the type of fraud most easily addressed by EMV. This increased fraud, combined with decreased profitability on debit portfolios, prompted many U.S. issuers to prioritize EMV planning for the first time in 2013. The first U.S. card network liability shift and processor compliance milestones also arrived in 2013, prompting increased activity from other industry participants (Figure 1).

On April 1, 2013, major card networks mandated that acquirer processors certify their ability to support U.S.-based EMV transactions. Although many acquirers do not publicly support the EMV rollout, Visa announced in early April that acquirers representing "the vast majority of U.S. face-to-face sales volume" had completed certification requirements. On the same date, MasterCard implemented a liability shift for cross-border Maestro transactions at domestic ATMs despite complaints from U.S. ATM deployers about the aggressive timeline.

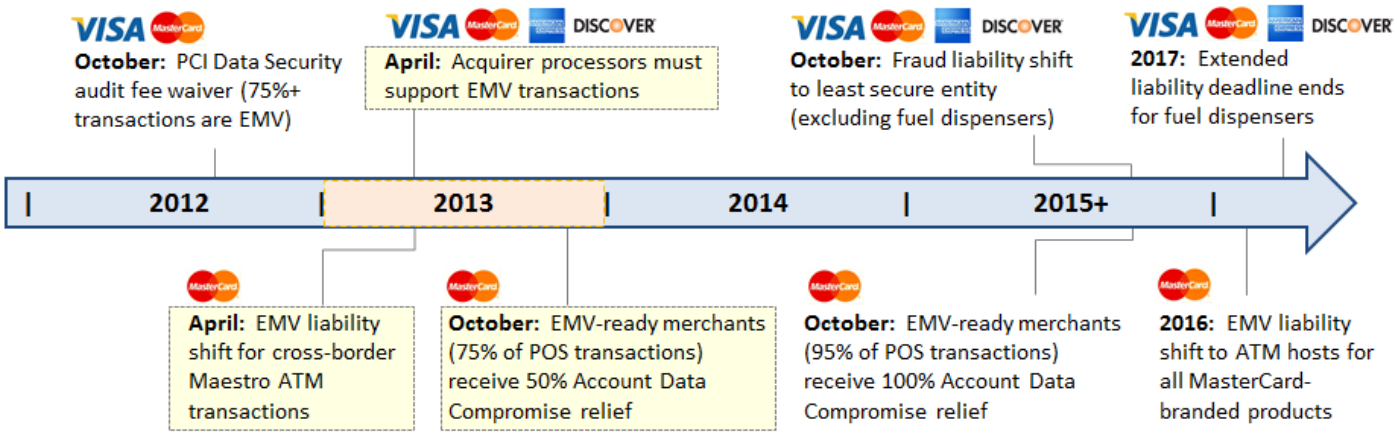
Large Credit Issuers and Retailers Begin the Chip Transition

Most of the largest U.S. credit issuers began making chip cards available to subsets of their domestic portfolios throughout 2013 (Figure 2). The EMV cards currently in the market use a mixture of "Chip & PIN" and "Chip & Signature" cardholder verification methods ("CVM"), and 2013 provided no clear direction on which CVM will eventually prevail in the U.S. market. To date, EMV card replacements have been voluntary (i.e., by customer request) and specifically targeted at travel-related co-brands and other high-end, affluent cards. By the end of 2013, however, some large issuers began proactively issuing chip cards to frequent international travelers.

Many of the largest "big-box" retailers spent 2013 upgrading POS hardware and PIN pads to support chip-based cards, and some large acquirers have stopped shipping any new terminals that are not EMV capable. It is not clear if the necessary terminal software is currently in place to enable an actual EMV transaction at these upgraded locations, but the POS investments provide evidence that many large merchants are quietly preparing for a market-wide EMV transition in the near future.

Some merchant segments remain less supportive, however. During a spring industry conference hosted by NACHA, representatives of the fast food and petroleum industries registered strong public opposition to enabling EMV given their low fraud losses and unique POS environments. At the same time, new payment technologies such as Bluetooth low energy (which is sensor-based) and mobile barcode payments (cloud-based) have contributed to the uncertainty. Given this complex environment, a significant number of

Figure 1: Network-Announced Migration Timelines



Source: Network statements and releases.

mid-market merchants have not yet begun to make preparations for EMV acceptance.

Debit Routing Regulations Add to EMV Complexity

Deploying EMV for debit has been challenged from the outset by the dual network structure (i.e., single message and dual message) in the U.S.. The multiple unaffiliated network requirements of Reg II further complicate deployment, as the EMV standard (developed for other markets) was not designed to support multiple applications. Both Visa and MasterCard offer a common debit application, while the major PIN debit networks (represented originally by the SRPC and, more recently, by the Debit Network Alliance) announced in early 2013 that they were supporting the common debit app offered by Discover (D-PAS).

By late July, the PIN networks relaxed their position concerning exclusivity of their preferred solution, and on July 30, Visa and MasterCard announced an agreement to cross-license their respective common applications. Although the resolution did not fully solve the technical challenges, the industry momentum was promising.

This progress was suddenly and unexpectedly slowed the very next day however, when U.S. District Judge Richard Leon ruled that Reg II was flawed in both its interchange calculation and in its debit routing standard. Industry working groups continue to discuss the technical implementation requirements for debit routing as the court battle plays out, but debit EMV planning at most issuers has completely stopped. Even credit EMV planning has been significantly slowed as issuers determine whether to split their debit and credit project planning or delay all EMV issuance.

2014 and Beyond

The next major network rule change regarding EMV adoption occurs in October 2015, when a liability shift will apply to POS transactions on all major networks and the risk of most preventable fraud losses transfers to the least-secure party (merchant or issuer). Credit EMV issuance in the U.S. is expected to continue through 2014 in anticipation of this liability shift, as large credit issuers include more chip cards in their normal re-issue cycles and some small and mid-size issuers begin their transitions. Many industry participants hoped that the networks would delay the POS liability shift due

Figure 2: Consumer EMV Issuance by the Largest U.S. Credit Issuers (December 2013)

Top Credit Issuers (by purchase volume)	*Chip & Signature*	*Chip & PIN*	*Selected Consumer EMV Products (may not reflect full EMV offerings)*
American Express	X	-	Platinum
JP Morgan Chase	X	-	Multiple travel-related co-brand cards Chase Sapphire Preferred JP Morgan Palladium and Select
Bank of America	X	-	Multiple travel-related co-brand cards Other rewards cards by request
Citibank	X	-	Multiple travel-related co-brand cards Other rewards cards by request
Capital One	-	-	*(None)*
US Bank	X	-	FlexPerks Travel Rewards Visa Signature
Wells Fargo	-	X*	Wells Fargo Advisors credit cards
Barclaycard US	-	-	*(None)*
USAA	-	X	All USAA credit cards

* WF use of Chip & PIN is assumed based on Commercial card use and prior consumer trials

Source: FI websites and public statements.

to uncertainty around the debit appeals process, but MasterCard recently reaffirmed its October 2015 date in a statement to issuers.

The U.S. chip card transition continues to face headwinds, but the increase in U.S. EMV activity in 2013 was real and tangible. Recent activity amplifies the risk of counterfeit fraud loss for credit and debit issuers who fall "behind the pack" in adopting chip cards. The long lead time required for EMV design and testing will force many banks to act swiftly in 2014 if they hope to be ready when the rest of the market adjusts. Despite industry uncertainty, any issuer that does not already have an EMV plan in place should begin having focused conversations with their card processing, card production, and network brand partners to determine the EMV capabilities, costs, and incentives applicable to their portfolios. This information will be necessary to inform key decisions about complex EMV issues (such as CVM management) and help each issuer design an effective and comprehensive launch plan in advance of 2015.

[1] The Nilson Report #1023 (August 2013)

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IBM's Data on Holiday Shopping Highlights Mobile's Growing Importance

By Tim Skeen and Doug Berkowitz

Data published by IBM's Digital Analytics Benchmark division reveals strong online sales growth this past holiday season driven by an increase in mobile commerce sales. The 5-day Black Friday holiday shopping period that extends from Thanksgiving to Cyber Monday had a record setting year online, growing 16.5% over 2012. Similarly, both Black Friday and Cyber Monday broke previous records for online sales growing 13% and 7% year-over-year, respectively. Of the four retail sectors that IBM tracks on these major shopping days, all experienced material increases in online and mobile sales. "Department stores" saw the largest lift in online spend while "health and beauty" saw the most significant gains in mobile spend. The report specifically points to mobile commerce and social media referrals as key contributors to e-commerce sales growth.

Figure 1: Mobile Driven Online Activity

	% of Total Online Traffic		% of Total Online Sales	
	Black Friday	Cyber Monday	Black Friday	Cyber Monday
Smartphone	24.9%	19.7%	7.2%	5.5%
Tablet	14.2%	11.5%	14.4%	11.7%

Source: IBM Digital Analytics Benchmark Cyber Monday Report 2013, IBM Digital Analytics Benchmark Black Friday Report 2013

Figure 2: Average Ticket for Social Media Referrals

	Average Spend	
	Black Friday	Cyber Monday
Pinterest	$92.51	$92.40
Facebook	$52.30	$97.81

Source: IBM Digital Analytics Benchmark Cyber Monday Report 2013, IBM Digital Analytics Benchmark Black Friday Report 2013

Mobile Commerce*

Mobile purchases accounted for nearly 22% and 17% of total online sales for Black Friday and Cyber Monday, respectively. On both shopping days mobile sales increased by over 40% compared to 2012. This growth was likely aided by heavy mobile promotions over the 5-day Black Friday holiday shopping period, as retailers sent 77% more push notifications to their mobile app users than they did in the previous two months, and retail app installations grew by 29%. In addition, IBM identified a trend that consumers are more likely to utilize smartphones to browse a showroom, but prefer to use tablets to make final purchases (see Figure 1).

Social Media

IBM data on Facebook and Pinterest referral activity demonstrates differences in consumer purchasing behaviors in leading social media outlets. As seen in Figure 2, the average spend per transaction was higher when sourced from Pinterest referrals, while Facebook converted referrals at a significantly higher rate. Black Friday saw Facebook convert four times as many referrals into sales than Pinterest and Cyber Monday saw 38% more.

These holiday shopping indicators suggest that consumers are becoming more reliant on online shopping, likely fueled by the parity between prices found in store and online, convenience, and the promotional intensity in the channel. The record-setting numbers are indicative of the economic recovery in addition to an increase in consumer comfort with mobile and online commerce.

*Mobile commerce is considered shopping through both smartphones and tablets.

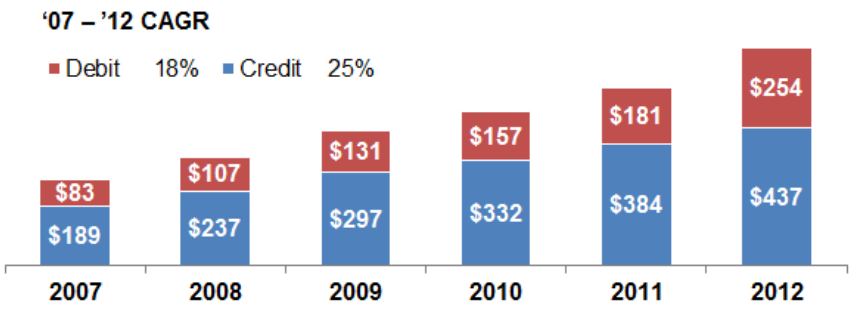
For more information, please contact Tim Skeen, Associate, tim.skeen@firstannapolis.com; or Doug Berkowtiz, Senior Analyst, doug.berkowitz@firstannapolis.com. Both specialize in Credit Card Issuing.

Brazil's Acquiring Market Opening-Up

By Janinne Dall'Orto

With over R$690 billion (approximately US$300 billion) in card sales volume in 2012, the Brazilian market is the largest acquiring market in Latin America, and Brazil's card volume grew at double digits between 2006 and 2012. Considering prevailing pricing for acquiring and related products, First Annapolis estimates Brazil to be the second largest acquiring market in the world, by revenue. Therefore, it is no small matter that the acquiring industry has opened to international acquirers due to events of the past several years.

Figure 1: Card-based Sales Volume in Brazil (R$ Billions)



Note: Volumes include both commercial and consumer payments. Volumes do not include charge cards, prepaid cards and store cards.

Source: Euromonitor.

Historically, Brazil had brand-level acquiring exclusivity, with Visanet (now Cielo) processing Visa transactions and Redecard processing MasterCard transactions. In 2010, after a study conducted by the Brazilian government showed potential anti-competitive aspects of the payment card industry, Visanet and Redecard agreed to end acquiring exclusivity for Visa and MasterCard transactions. Visa and MasterCard, similarly, have issued licenses to new acquirers. As a result, the market saw the entry of new players such as Banco Santander (in association with GetNet), Elavon, and Global Payments.

In addition to the major international card schemes, there are a number of domestic card networks present in Brazil, the largest of which include Elo and Hipercard. Traditionally, Elo has been acquired by Cielo, and Hipercard by Redecard, and the 2010 agreement to end acquiring exclusivity did not include domestic payment networks. This exclusivity with these payment networks constitutes a meaningful entry barrier for international acquirers, and in 2011, the Central Bank of Brazil published a Statistical Update regarding the Brazilian Payment Card Industry, which concluded that despite the end of exclusivity, there has not been a significant change in acquiring market shares, as Cielo and Redecard still control over 90% of the market.

In 2013, the Brazilian government took further steps to open the acquiring competitive landscape. The Central Bank of Brazil ended the Brazilian card industry's self-regulation system and appointed itself as regulator. In November, the Central Bank issued the regulatory framework for the industry. Through this framework, the Brazilian government is looking to promote, among other objectives, financial inclusion, competition, innovation, reliability of the system and the interoperability of payment networks. In light of this new regulatory environment, Mr. Rômulo de Mello Dias, Cielo's CEO, stated during Cielo's 2013 Q3 earnings call that he expects interoperability of payment schemes to happen in the short term.

Brazil continues to be a difficult market for international acquirers to enter, notwithstanding the attractive characteristics of the Brazilian payments market and the latest efforts by the government to foster greater competition. Cielo and Redecard are formidable competitors with strong market positions. Further, Brazil has many local payment nuances, a highly concentrated banking industry, a large informal economy, and significant bureaucratic requirements and processes. However, it is difficult to see globalizing acquirers not targeting Brazil, and their ability to enter the market has become more plausible, on the margin.

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Citizens Bank Launches Almost Free Checking

By Emma Causey

On January 15th, Citizens Bank announced the launch of One Deposit Checking, a new low fee checking account as part of its "Bank Better" initiative, in which the Bank pledged to provide simplicity, transparency, and enhancements to its consumer banking business. The account carries a $9.99 monthly fee that can be waived with a single deposit of any amount per month. Qualifying deposits include direct deposits, cash/check deposits, and incoming bank transfers. The significantly reduced fee waiver is one of the first in market among major banks, and creates a virtually free account, though accountholders do incur out-of-network ATM fees. One Deposit replaces Citizens' Green Checking account, which charged a $9.99 monthly fee that was waived only if customers made five payment transactions per month or maintained an average daily balance of $1,500.

In addition to One Deposit, Citizens also launched Value Checking, a feature-rich account that carries a fixed $3.99 monthly fee, but offers customers free checks, paper statements, and one non-Citizens ATM fee waiver per month. The launch of both checking accounts comes two months after "Bank Better" was announced – the hallmark of the November announcement included a new approach to overdrafts: no overdraft fee for transactions of $5 or less. Together, these efforts have simplified Citizens' DDA suite in an effort to broaden the Bank's appeal to consumers.

By comparison, nearly all major banks offer DDAs with fee waiver requirements, but none offer waivers as attainable as Citizens' new account. Bank of America's My Access account carries a $12 monthly fee that can be waived with a minimum of one deposit of at least $250 or a $1,500 minimum daily balance. Similarly, Wells Fargo's Value account carries a $7 monthly fee that can be waived with a minimum of one qualifying deposit (recurring transfer or direct deposit) of at least $500 or a $1,500 minimum daily balance. Moreover, neither Bank of America nor Wells Fargo offer "next level" accounts

comparable to Citizens Value Checking. Advantage and PMA Package, respectively, carry higher monthly fees with steep waiver requirements. The juxtaposition of Citizens' new accounts, coupled with its efforts towards simplicity, will likely meet critical and distinct customer needs: a free checking account for basic transactional use (One Deposit) and a low-fee account with added perks (Value Checking).

For more information, please contact Emma Causey, Associate, specializing in Debit and Prepaid, emma.causey@firstannapolis.com.

TD Enters Teen-Centric GPR Card Space in U.S.

By Sarah McCroy

On January 15th, TD Bank announced the launch of TD Go, a reloadable prepaid card designed to help parents encourage financial responsibility among their teenagers. The card is a new addition to TD's product suite and is the Bank's first foray into GPR. TD Go is offered alongside TD's Student, Simple, and Convenience Checking accounts, but is marketed directly to both parents and teens. Parents act as the "account owners" and can monitor their teen's spending habits through various parental control features, including email and text alerts for balances, transactions, and adult-oriented purchases. In addition, parents open and fund the card; teens are able to add funds solely via direct deposit.

Many other banks have added teen-centric consumer reloadable products to their card offerings over the last decade. The Visa Buxx program, launched in 2001, has been adopted by a number of financial institutions. It is similar to American Express' PASS prepaid product, which targets both teens and parents and has comparable functionality to TD Go. Amex differentiates from the market by offering teens an online "Deal Center" with merchant-funded discounts as well as access to advance tickets for musical and athletic events. BB&T takes another approach to the teen card with its LEAP Account, which is a prepaid card that not only targets parents with younger teens, but also students between the ages of 18 and 21. While other observed programs allow anyone older than 18 to be the account holder, BB&T is the only bank to directly target teens instead of parents.

Though many of the account maintenance fees are similar among the programs, other fees vary. Most carry either an enrollment or monthly fee and a fee for loading the product via debit or credit card (see Figure 1).

For more information, please contact Sarah McCroy, Senior Analyst, specializing in Debit and Prepaid, sarah.mccroy@firstannapolis.com.

Figure 1: U.S. Teen Card Comparison

	TD Go	Visa Buxx	Amex Pass	BB&T LEAP
Target Market	• Parents • Teens	• Parents • Teens	• Parents • Special emphasis on teens	• Parents • Teens • Students
Sales Channels	• Online • Branches	• Online	• Online	• Online • Branches
Pricing Approach	• $4.95 enrollment fee • No monthly fee • Free TD ATM access; $3.00 non-TD • $1.00 debit/credit card load fee	• $4.95 enrollment fee • $4.95 monthly fee • $1.00 ATM Fee • $2.50 debit/credit card load fee	• No enrollment or monthly fee • $2.00 ATM (first free each month)	• No enrollment fee • $3.00 monthly fee • Free BB&T ATM; $2.50 non-BB&T
Reload Channels	• Parents: direct deposit, credit/debit • Teens: direct deposit • Friends & family	• Parents: direct deposit or credit card • Teens: no reload	• Parents: direct deposit, Amex card, account transfer, or cash • Teens: direct deposit	• Parents/students: direct deposit, cash, account transfer, or Visa ReadyLink

Source: Bank product websites.

Payments Industry Stock Price Tracker

By Collin Bauer

Figure 1 is the Payments Industry Stock Price Tracker for December 2013. The table measures stock prices and market capitalization for the month of December and for 2013. The companies that First Annapolis monitors across the payments value chain experienced mixed results in December, but each sector exceeded the broader market's 30% increase over the course of the year.

In summary:

In December, the issuing sector posted gains of 1% in aggregate and slightly trailed the overall market. While the majority of issuers tracked posted gains in December, downward pressure in the sector was mainly driven by two of the largest issuers - Bank of America and Citi. Conversely, Capital One and American Express posted gains of 7% and 6% respectively in December and outperformed all other issuers last month. FleetCor posted aggregated gains of 118% in 2013, outperforming the rest of the sector.

The processor / acquirer sector posted gains in December, with an overall increase of 7%. Heartland's stock gained 11% and outperformed others in this segment over the last month; its stock price was up 70% in 2013. Additionally, Fiserv and FIS, the two largest companies in this sector, posted gains of 6% and 7% respectively in December. The processor / acquirer segment as a whole posted gains of 53% in 2013.

In aggregate, MasterCard and Visa were up 10% in December, and 57% in 2013. Stock prices for MasterCard and Visa rose 10% and 9% respectively last month and each network currently sits near its respective all-time high.

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Figure 1: Monthly Average Stock Price Tracker

Companies	Dec. 31 , 2013	Month Δ	YTD Δ	Current Market Cap ($Billions)
Issuers				
American Express	$90.73	6%	59%	$96.63
Bank of America	$15.57	-2%	34%	$177.48
Capital One	$76.61	7%	33%	$44.94
JPMorgan Chase	$57.72	2%	33%	$223.00
Citi	$52.11	-2%	32%	$163.78
Discover	$55.95	5%	46%	$26.27
FleetCor	$117.17	-4%	118%	$9.55
U.S. Bank	$40.40	4%	27%	$74.35
WEX	$99.03	0%	31%	$3.89
Weighted Average	-	1%	37%	-
Acquirers / Processors				
FIS	$53.68	6%	55%	$15.45
Fiserv	$59.05	7%	49%	$15.04
Global Payments	$64.99	3%	44%	$4.86
Heartland	$49.84	11%	70%	$1.84
TSYS	$33.28	8%	56%	$6.24
Vantiv	$32.61	8%	60%	$4.59
Weighted Average	-	7%	53%	-
Networks				
MasterCard	$835.46	10%	70%	$99.71
Visa	$222.68	9%	47%	$140.97
Weighted Average	-	10%	57%	-
Market Index				
S&P 500	$1,848.36	2%	30%	-

Note: Weighted Averages are based on current market caps.
Source: Yahoo Finance, First Annapolis Consulting research and analysis.

