

# International Payments

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# Turkey: The Second Largest and The Youngest Population in Europe

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## 71 million of population

- 54% of population < 30 years of age
- Expected population  
81 million (2015)  
88 million (2025)

## 659 billion USD GDP by 2007

### positive economic growth

- 9.9% in 2004
- 7.6% in 2005
- 6.0% in 2006
- 4.5% in 2007 and 5.5 % expected for 2008



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# BKM (Interbank Card Center)

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- **Founded in 1990,**
- **Payment Service Provider,**
- **28 members – All Issuers & Acquirers in Turkey**

## **SERVICES PROVIDED BY BKM:**

- **Domestic Clearing & Settlement**
- **Switch (*POS & ATM transactions*)**
- **Switch Debit Card Settlement and Fee Billing**
- **Monthly Member Statistics**
- **Central Merchant Database**
- **Education Services**
- **Market Development & Strategies**
- **Datawarehouse for Merchant Related Fraud**



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## Key Figures: Turkish Card Market

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*56.2 million debit cards*



**3rd in Europe!!**

*38.5 million credit cards  
(20 million customers)*



**4th in Europe!!**

*1.5 million POS terminals*



**2nd in Europe!!**

*19 thousand ATMs*



**6th in Europe!!**

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As of March 08

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# EMV Migration Status: Turkey

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- chip&PIN method, national roll-out commenced on 31st March 2006.
- End of bypass date, 30th June 2007.  
*(compulsory PIN entrance for all chip&PIN compliant transactions)*



As of 30 June 07 Turkey has been **the third** country in Europe migrating EMV (chip&PIN method)

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# EMV Migration Status: Turkey

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TURKEY	% of Credit Cards Converted	% of POS Converted	% of ATMs Converted
	100,00%	100,00%	90,00%

As of March 08

**2006 – 2007 Comparison,**

**73 %** Decrease on lost/stolen and counterfeit – credit cards

**48 %** Decrease on ATM fraud – debit cards

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# EMV Migration: Transfer of Fraud

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**USA is in the top 3 countries fraud committed with UK-issued cards\***

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# Fraud Trends After EMV Migration

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*Decreasing fraud in physical environment*

*Increasing fraud in virtual environment*

**- TURKEY, 2006 – 2007**

**121% increase on CNP fraud (50% of total fraud)**

**- UNITED KINGDOM, 2005 - 2006**

**16% increase on CNP fraud (50% of total fraud)**

**Solution;**

**MO-TO environment: CVV or CVC**

**e-com environment: 3D Secure**



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# Contactless Cards in Turkey

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- New era on payment transactions
- Contactless technology triggered by successful EMV Migration
- Rules and standards set for
  - Transaction flow
  - Terminal display messages
  - Interbank transactions
  - Domestic micropayment limit as 35 YTL (~ 20 €)

First in Europe

- Contactless credit card usage
- Watch equipped with contactless technology
- Contactless EMV credit card usage in ferry transits



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# Contactless Benefits in Payments

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- Replaces Cash Faster
  - More Transactions
    - Better Wallet Share
      - Increased Card Usage
        - Increased Customer Loyalty
          - Added Security

# Contactless Card Development in Turkey

## ● New card payment opportunities:

- Transit
- Taxi
- Parking
- Parking



Tollways

2005



Loyalty

2006



Public Transportation

2007



New forms



Parking



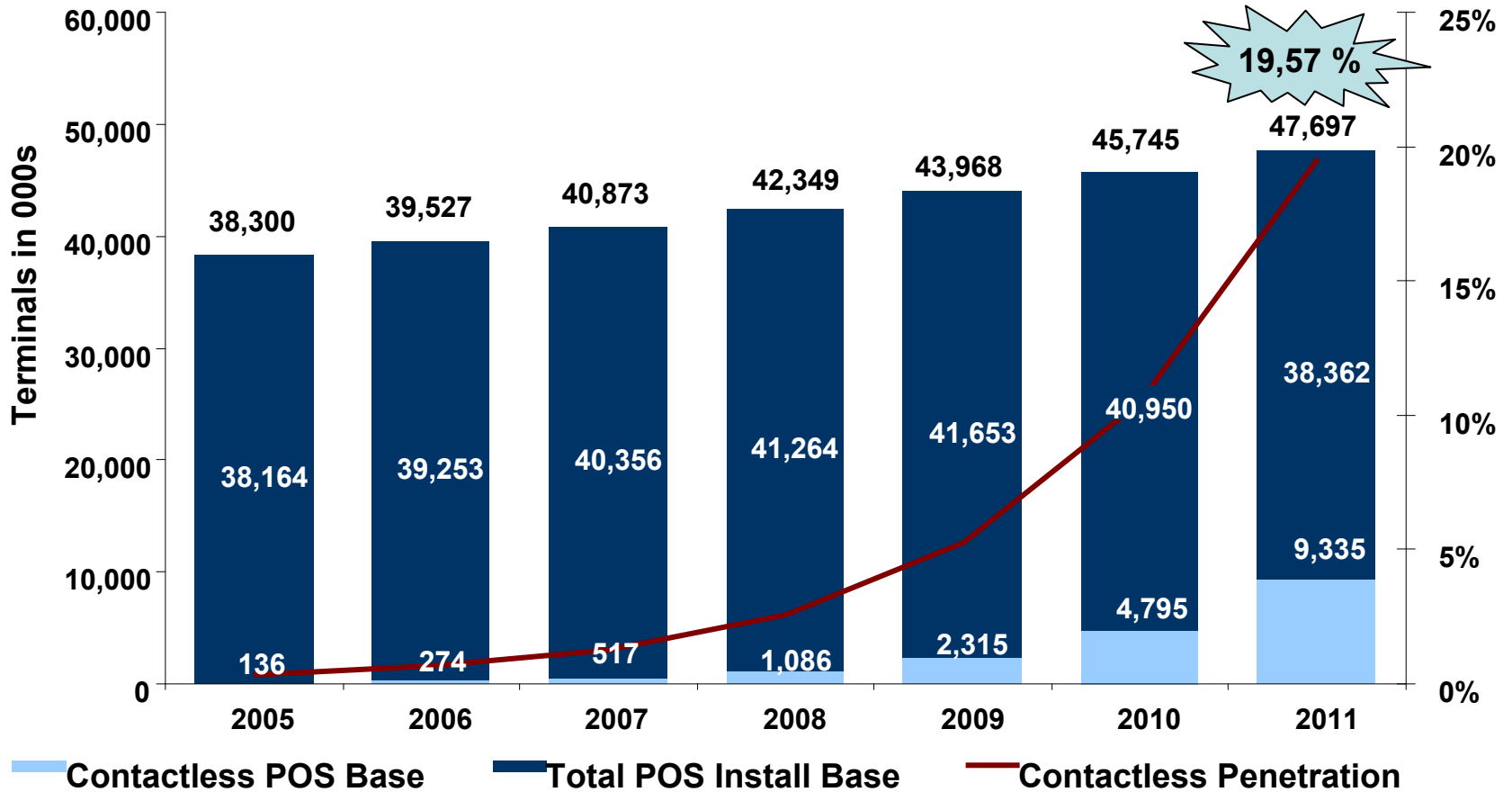
EMV Card



Taxi

2008

# Global Contactless POS Terminal Growth & Penetration



Source: Aberdeen Group and Management Estimates

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## An Advertisement of Contactless from Turkey

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 **Garanti**



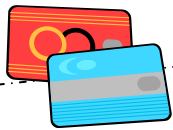


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# NFC Payments: near future payment alternative

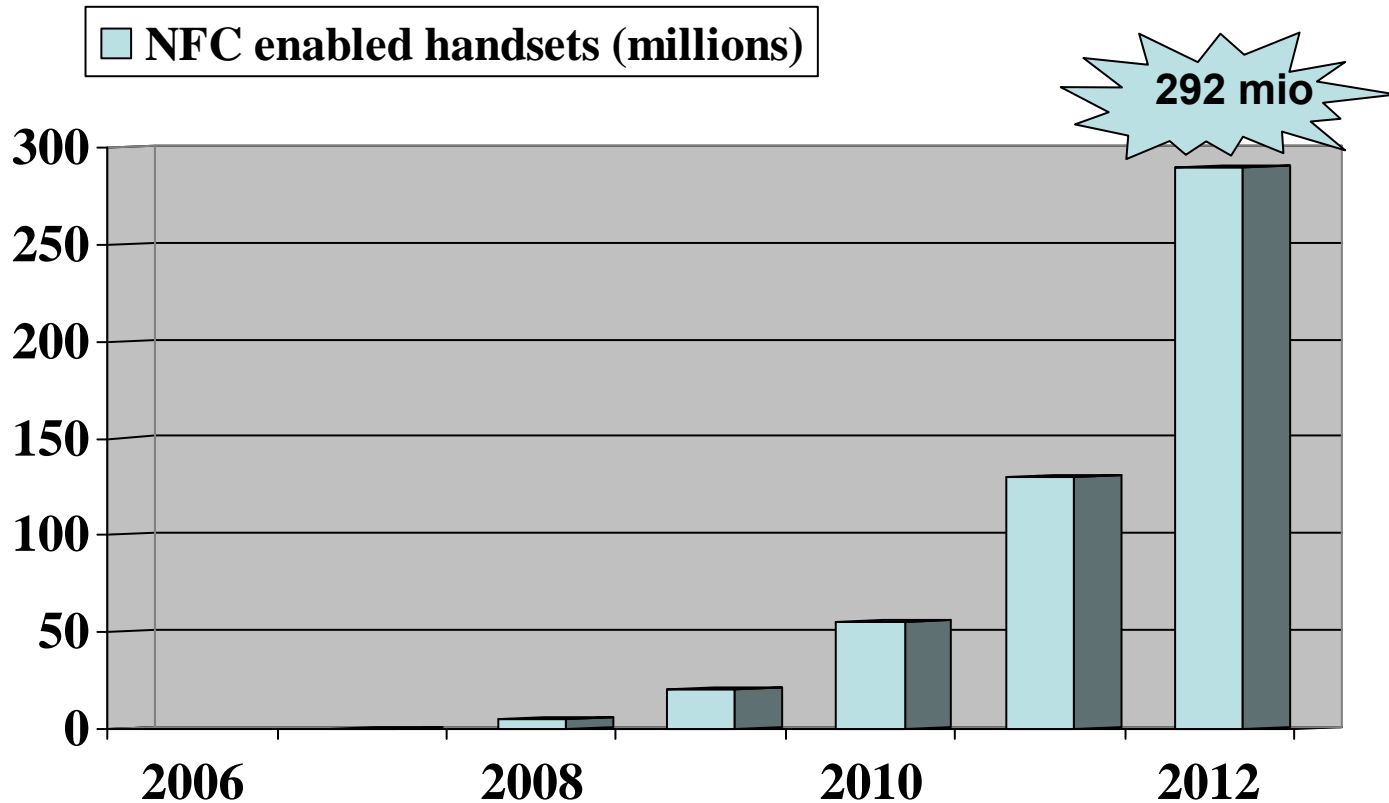
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- NFC rules and standards; to be set by international payment schemes
- NFC payment benefits;
  - **Higher Card Usage**
  - **Individualized Promotion Services**
  - **Electronic Coupon Issuance & Redemption**
  - **Location Based & Targeted Loyalty Programs**
  - **Cross Marketing/Selling working with retailers**

# NFC Development

	1998	2002	2004	2006	2008	2010
NFC Devices	 <p><b>Contactless Cards</b></p>	 <p><b>Prototypes</b></p>		 <p><b>Commercial NFC Phones</b></p>		
Standards	ECMA    ISO 340    18092		NFC Forum ETSI    OMA BC BT SIG 2.1    WIFI Alliance			
Market Status	<i>Contactless card implementations</i>		<i>NFC tech trials/user pilots</i>		<i>Ecosystem establishment</i>	
				<i>Commercial rollouts</i>		

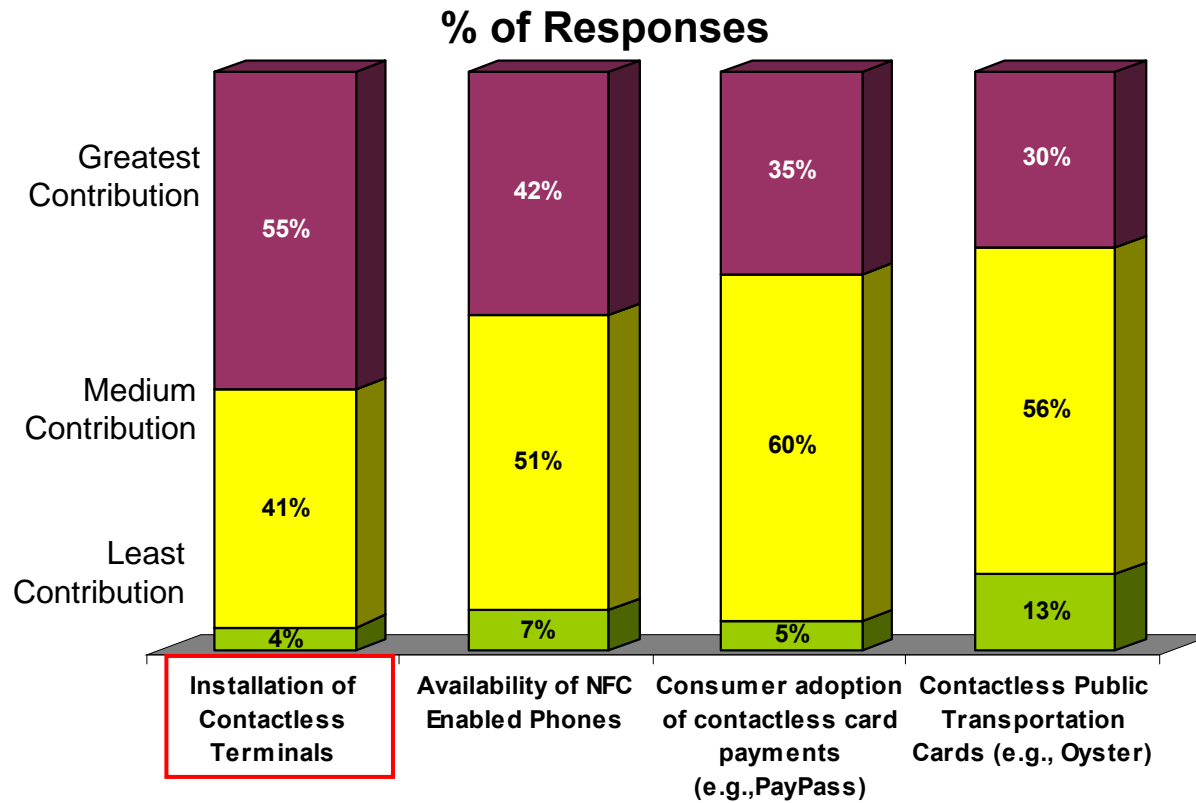
# NFC Handset Future Trends



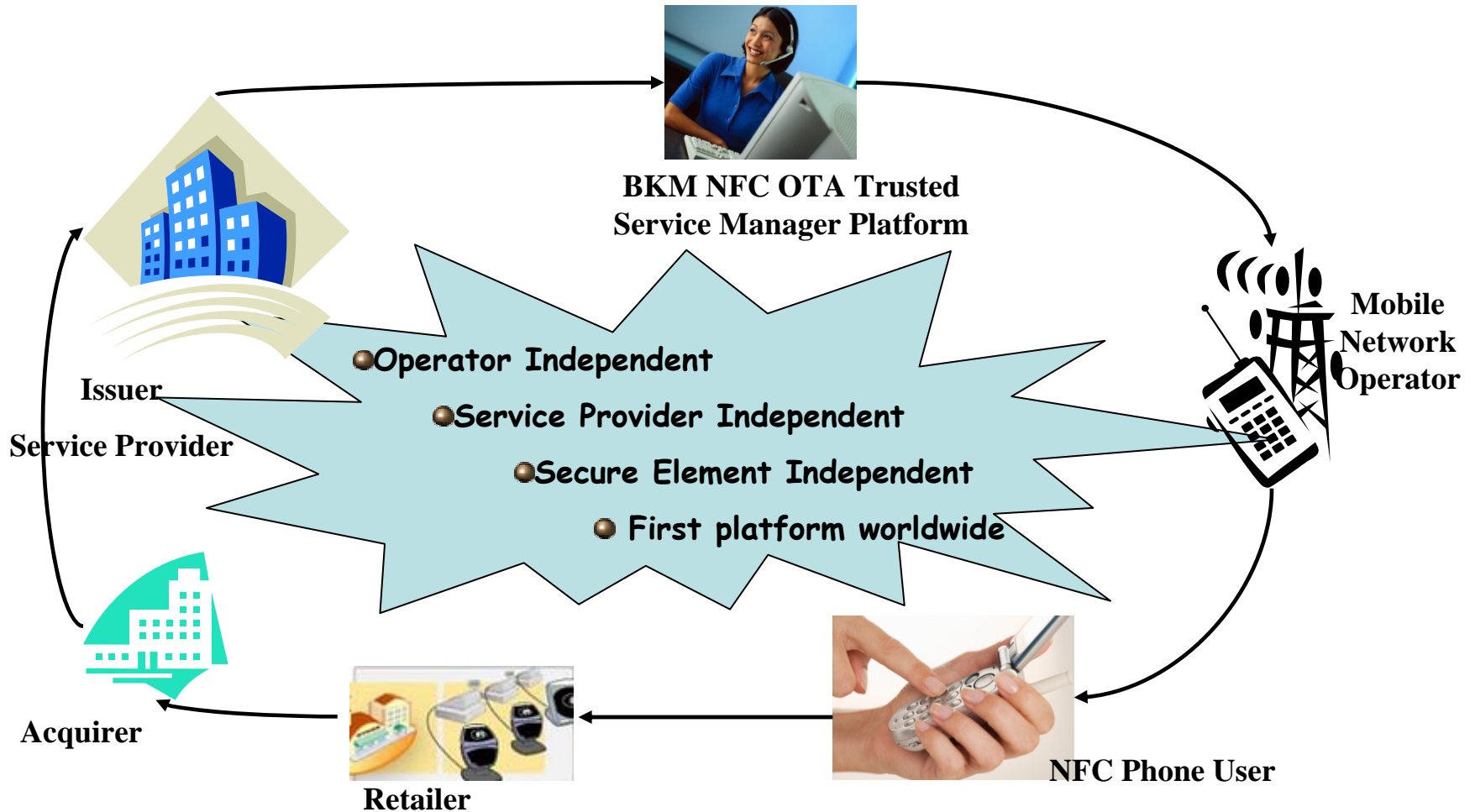
Source: 2007 ABI research

# NFC Adoption on Drivers

Question: Please rate the following drivers based on their expected contribution to adoption of NFC



# NFC Ecosystem in Turkey



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## Conclusion

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*Jack Welch: Turkey has so much potential...*





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