

# FINMARK TRUST

MAKING FINANCIAL MARKETS WORK FOR THE POOR

---

P O Box 61674, Marshalltown, 2107

info@finmark.org.za

Tel: +27 11 315 9197

Fax: +27 11 645 6896

## *Capitec Bank: the M/chip pre-authorized debit solution*

Capitec, a listed SA retail bank that focuses on accessible low cost banking for individuals, is running a pilot project with prepaid debit cards. Its Global One banking facility provides real time solutions to savings and lending needs of clients, using a paperless transacting platform, which is also biometrically controlled to minimize costs and administrative requirements.

The project is designed to provide people in remote rural areas with the capacity to transact without cash. It allows merchants, operating in parts of the country where telecommunications infrastructure is poor, to accept cashless payments offline because payment is guaranteed. Once a day, the retailer can dial up to transfer the transactions, saving money and time.

Underlying the pilot is EMV chip technology, the global standard that ensures smart cards are readily accepted by chip terminals worldwide.

Since October 2004, Capitec has issued MasterCard Maestro cards, with both a magnetic stripe and a pin protected chip, to 5000 customers in the Qwa Qwa area in the Free State. Users can load cash from their bank account, free of charge, either at a Capitec branch or at Capitec EMV compliant POS terminals, to a memory chip built into the card. The card can then be used at any merchant with the appropriate device for purchases, incurring no transaction fee. Or it can be used for purchases and cash withdrawals in which case there is a 30 cents fee.

The card is linked to a savings account with full transaction capability. And it comes with a small portable Xiring PAD balance reader to enable clients manage their accounts.

The project gives Capitec the opportunity to broaden its base, using a shared payment infrastructure and the EMV standard. Capitec has placed 50 POS machines in the Qwa Qwa area and has informed clients which outlets have them. The project, the first EMV pre-authorized launch in the world, is designed to test the functionality of the technology and consumer behaviour.

Capitec, which has a growing savings/transaction client base of over 20 000 accounts a month, is expanding its branch network by 50 branches a year and trades at a PE of over 17.