

# SMART CARD NEWS

July 2001

Volume  
Number

10  
7



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## Dexia Bank Launches Portos School Card

Proton World has announced that Dexia Bank has become a Proton licensee in Belgium and has launched its Portos Smart Card system for schools. Portos uses the Proton multiple-application Smart Card technology in a Windows/NT host system to deliver electronic payment and access control services to school children.

The Portos card is a simple, secure and convenient means of making the small, everyday payments required in schools (for example for lunch, snacks, drinks, stationery and books) and also for controlling access to buildings (e.g. bicycle sheds), rooms (e.g. library) or databases.

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Our Website containing daily News On-Line, and information about the full range  
of SCN services, can be found at the following address: [www.smartcard.co.uk](http://www.smartcard.co.uk)

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## Dexia Bank Launches Portos

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Each school has a special account at Dexia Bank, into which the parents or guardians of its pupils transfer funds from their bank accounts, quoting their child's unique reference number, which directs the funds to the individual "virtual account" for that child. When the pupil puts the card in one of the Portos load terminals, the value from the account is loaded onto the card in an on-line transaction. The pupil then spends the value off-line and reloads the card as required.

When the payments are collected by the school, a payments log is created which can be sent to the pupil's parents or guardians on request.

The Portos system was initially piloted in two schools, one in Brussels and one in Tournai, with encouraging results. In both cases, cash was completely eliminated from the schools by making Portos the only accepted means of payment.

Dexia Bank is now targeting all 850 state secondary schools in Belgium, and also hopes to introduce Portos to other closed user groups, such as hospitals, old people's homes and prisons.

### Contact

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## BP Expands Fuel Payment System

OTI has announced that its subsidiary, OTI Africa, has orders from BP Zambia and BP Tanzania to install 26 FuelMaster stations servicing commercial customers to their networks. FuelMaster is BP's chosen brand name for OTI's Gasoline Management System (GMS) in the African market.

Each FuelMaster vehicle is fitted with an antenna mounted around the fuel tank inlet, connected to a Smart Card installed in the vehicle. The card provides unique identification for each vehicle. A matching antenna installed on the pump nozzle, is connected to the site computer. When the pump nozzle enters the fuel inlet, the Smart Card communicates with the site computer. Once the computer is satisfied that a legitimate driver is attempting to fuel an authorised vehicle with the proper fuel grade, the pump will

begin dispensing fuel. During refuelling, operating data from the Smart Card is transmitted to the computer for reporting purposes. Fuel management reports are provided to fleet operators on a regular basis.

The FuelMaster Express program targets the private motorist market and uses an OTI Smart key fob to carry a driver's payment information. The key fob is simply presented to the reader located on the pump nozzle. The reader electronically authorises the data from the key fob, and if valid, initiates the fuelling process. When fuelling is complete the key fob is returned to the driver who can depart immediately. It is not necessary to sign a receipt, but a receipt may be requested.

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## Advanced Internet Security

Entrust has announced a proposal to speed the adoption of enhanced Internet security by Smart Card system developers. The proposal broadens security specifications to include Smart Card-based digital identities and other card manufacturer requirements not met by the original industry proposal.

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## Cholesterol Monitor Roll-out

Lifestream Technologies says that the launch of its Smart Card-based home cholesterol monitor is ready to move into phase two after a successful roll-out in many of the US's top specialty stores, catalogues and retail department stores.

The hand-held monitor allows consumers to test their cholesterol levels easily and accurately at home between doctor visits, so they know whether their cholesterol-lowering diet, drug and exercise therapies are working.

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## Smart Card for Swedish Golfers

FöreningsSparbanken and the Swedish Golf Union have jointly developed a Golf Card (Golfkortet) which is being tested during the 2001 golf season at the Chalmers Golf Club in Gothenburg, the Ljunghusen Golf Club in Falsterbonäset and the Rönneback Golf Club in Malmö.

If successful, the new Golf Card will be gradually introduced at all the golf clubs in the country during next year's season. A golf card that offers the opportunity of a payment function affiliated with MasterCard already exists, which has a unique chip with a multitude of functions.

The card's basic offering will function in three ways - as a golf club membership card, a handicap card and a cash card. It will be issued free of charge to all paying members of the three golf clubs included in the trial.

It will also be possible to upgrade the card to a Golf Plus card, enabling access to an extended range of applications including MasterCard, fuel discounts, attractive prices on car rental, golf insurance and the opportunity to pay annual membership fees to the club interest-free for six months.

Companies which have participated in the project implementation, include Alphyra Nordic, Point Transaction Systems, ACSC, Epani, Integris, SeaWire and TKS.

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## New Contactless System

Security solution provider SC<sup>2</sup> has announced the launch of a new contactless Smart Card system based on Infineon's microcontroller platform. It is aimed at applications such as transportation, mass transaction, e-commerce, e-purse and ID. Practically any contact application can be transferred to the new contactless system. The company says it has a Demo Kit available.

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## Leapfrog Private Placement

Leapfrog Smart Products has announced that it is finalising a significant private placement with investors. The new funds will be used for working capital, debt reduction, and to expand sales and marketing in the healthcare and security industries. In June, Leapfrog secured the fifth hospital contract for its Smart Card-based healthcare product.

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## Architecture for Mobile Commerce

The Mobey Forum has announced a recommended architecture to facilitate the development and growth of mobile commerce within the financial services sector.

It is the first time that financial institutions at the centre of everyday commerce have formed an agreed opinion on the way forward for mobile financial services.

The Forum believes that consumers will eventually use mobile handsets as payment devices in their daily life but the provision of a convenient, secure and trustworthy architecture is vital for the growth of the marketplace. With new payment methods becoming more popular, banks are keen to develop payment systems as part of banking services for mobile customers. Server-based wallets are seen as the preferred solution for remote payments.

Recommendations will allow offering of mobile payment services for remote shopping and will eventually open the option to provide mobile payment services in local shops.

Face-to-face shopping with a mobile handset is expected to develop more slowly than remote shopping, mainly due to the slower development cycle of the required technology. However, once convenient solutions are in operation, demand is expected to rise sharply, similar to the introduction of ATM machines.

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## MIST Keeps Smart Card Business

The Board of Directors of MIST Inc has decided not to sell the Smart Card solutions and embossing business to the company's two principal shareholders as previously disclosed.

In 1998, MIST elected to reorganise the company and divested its card manufacturing facilities and imprinter business and used the proceeds to pay down debt that had been incurred in part to fund the development of its gateway technologies and wireless POS systems.

In December, 2000, the Board approved, subject to certain conditions, the sale of NBS Holdings (which owns the Smart Card solutions and embossing business) to shareholders, Trilon Financial Corp and CAI Capital Advisors, for \$27.9 million. The proceeds of the sale of this business were to be used to fund a capital distribution to shareholders of approximately \$1.00 per common share.

President and CEO, Charles Lee, said: "Smart Card usage in financial applications is expected to grow rapidly over the next few years and MIST would like to retain the expertise developed in this area. In addition, with the significant weakening of the economy and continued investment required by MIST to complete the roll-out of FreedomGate and the MIST Freedom line of wireless POS devices, the Board feel that the payment of a special dividend is not in the company's best interests at this time."

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## Target to Offer Smart Visa Card

Target Corporation has teamed with Visa USA to become the first US retailer to introduce Target Smart Visa cards. Target plans to issue Smart Cards through its Retailers National Bank affiliate later this year and install point of sale terminals that accept chip payment in all Target Stores in 2002.

Paul Vessey, Chief Operating Officer, Visa USA, said: "Target's adoption of Smart Cards signals momentum and mainstream acceptance for this new payment technology in the US."

### Website

✉ [www.target.com](http://www.target.com)

## Readers for Virgin Megastores

@pos and Virgin Entertainment Group (US) have announced the installation of 320 counter top-sized iPOS TC payment devices combined with the @pos M700 Smart Card reader attachments for all US Virgin Megastores. The devices allow customers to conduct secure credit transactions, review a line-item display of their purchases, and use Smart Cards to access discounts on selected CDs.

Llavan Fernando, CEO, @pos, said: "Incorporating Smart Card capabilities within the point-of-sale system lays the foundation for even more strategic and innovative opportunities in the future."

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## Databac Opens Spanish Office

UK Databac Group has established a new office in Barcelona, Spain, to target the rapidly-growing Spanish market for identification products. The office is the first stage of Databac's expansion strategy, which aims to provide local sales and support in key regions in Europe.

The first products to be marketed in the region will be Databac's range of card wearing accessories, as well as its composite and polyester cards for direct printing - DuraCard and TOUGH card. A card personalisation service will also be available.

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## Catuity to Appeal Court Decision

Catuity is to appeal the decision of the judge in the Federal Court of Australia in legal proceedings commenced by Welcome Real Time for patent infringement in Australia.

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## Multi-Application Scheme in UK

ERG Card Services Smart Card technology with cards supplied by ORGA has been adopted in a multi-application Smart Card scheme in Bracknell (UK), that incorporates the Department for Education and Employment's Connexions pathfinder project.

The initial phase of the project is for 5,000 cards, rising to 100,000 as cards are issued to all residents. The combined revenue of the scheme is expected to be worth £2 million (A\$5.7) to ERG Card Services over five years.

BT Ignite Solutions was chosen by Bracknell Forest Borough Council to deliver and manage the delivery of E-services to its residents. Part of the contract includes Smart Cards as the enabler.

The Connexions and school meal applications went live in January. Applications planned for roll-out this year include club membership, library services, car parking payment, and a closed e-purse for use by residents. Other applications will be added as the scheme develops. The scheme also incorporates the retail loyalty "Edge" card functionality introduced by Bracknell Forest Borough Council in 1999 and managed by ERG Card Services.

The Connexions project is a pathfinder scheme that enables young people in their final year at school to obtain appropriate advice and information about further education, careers and general advice. Its aim is to encourage more people to continue studying after the age of 16. Connexions Cards are contactless Smart Cards used for registration using a reader in every classroom. Students who attend regularly and punctually are rewarded with points that can be redeemed for a number of leisure activities such as swimming, golf and the local cinema. Cards can also be used to pay for school meals

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## Diebold to Acquire Voting System

Global Election Systems has a letter of intent to be acquired by Diebold. The companies expect to complete the acquisition during the third quarter.

"Diebold has the necessary working capital and manufacturing capacity that are critical to the future success of Global Election Systems," said Global President and Chief Operating Officer Robert J Urosevich.

The two companies also signed a contract manufacturing agreement where Diebold will produce more than 500 AccuVote-TS touch screen voting terminals to fulfill a contract previously secured by Global.

Last year Diebold's Brazilian subsidiary, Procomp, supplied the world's largest nationwide voting system, used by 109 million voters, during elections held throughout Brazil. Procomp provided the Brazilian government with a turnkey voting system, including more than 180,000 voting terminals, accessories, software, installation, training, logistics and support.

### Contact

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## Wave and SCM Team on Readers

Wave Systems Corp and SCM Microsystems have teamed up to produce a family of Smart Card readers designed to address European Level 5 standards for secure PIN entry and secure display. Level 5 specifications guarantee a level of online security that is among the highest in the world, enabling secure electronic transaction (SET) protocols and other forms of secure financial services transactions.

The new readers will be powered by Wave's EMBASSY Personal E-Commerce Technology integrated by SCM which will develop and manufacture the hardware for the readers.

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## ICL Name to Go

Fujitsu has announced that its subsidiaries ICL and DMR Consulting will adopt the Fujitsu corporate name to strengthen its global IT solutions brand.

The corporate name changes, which are scheduled to be completed in the current fiscal year ending March 2002, are also intended to take advantage of Fujitsu's three-year, \$500 million global corporate brand advertising campaign, now entering its second phase. In conjunction with the first phase of the global brand initiative, ICL and DMR Consulting last year both adopted the descriptor "A Fujitsu Company" as part of their corporate logos. The new company names will be announced in September.

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## Mobile Devices for CityCab Taxis

Hewlett-Packard Company, CityCab Pte and Ericsson have announced plans to implement a mobile solution called Project Escalade and to equip CityCab taxis in Singapore with mobile devices to bring a wireless, interactive experience to passengers and taxi drivers. This project is a first for Singapore, with potential global roll-out in the next few years.

The three companies signed a Memorandum of Understanding to implement Project Escalade, representing a total investment of over US \$5.5 million and intended to transform the operations at CityCab. With about 9,800 drivers operating a fleet of 5,000 vehicles, CityCab is one of the largest taxi operators in the world. The pilot phase is expected to involve 500 CityCab taxis before the end of the year.

With the help of mobile e-services, CityCab passengers will be able to surf the Web, send e-mails, check stock prices, catch up on the latest news or even print information such as distance travelled and total fare - all from the back of a cab using voice activation and wireless technology. Taxi drivers will be able to use an advanced mobile appliance to access mapping and routing information, accept e-payment options or process booking - allowing drivers to plan and manage their work anytime, anywhere.

HP plans to supply the voice recognition technology that will enable CityCab to automatically process calls from passengers and send the booking order across wireless networks to HP handheld Personal Computers in CityCab taxis.

A personal area network is created within the taxi that passengers can tap into, even when using their own personal digital appliances. This private network is linked up to other public networks, such as GSM and General Packet Radio Service (GPRS), allowing passengers to access various information sources and e-services.

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## Proton Prism Launch in Belgium

Proton World has launched Proton Prisma Mobile Profile (MP), a new product package in the Proton Prisma family, which brings the features of Proton Prisma to mobile phone SIMs, and is targeted at mobile telephony operators and their financial sector and other m-commerce partners. Using Proton Prisma MP on a JavaT-based SIM will enable the delivery of the next generation of secure m-commerce services.

Proton Prisma MP lowers the cost of ownership of the SIM, increases its life-cycle and provides financial sector level security. The SIM issuer can create and maintain secure domains on the SIM, enabling the "leasing" of these to service provider partners, such as banks, financial institutions and retailers providing a new source of revenue, widening the mobile phone customer base and reduce churn.

The first pilot test of Proton Prisma MP was launched in Belgium earlier this month by the Belgian Proton licensee Banksys, in collaboration with mobile telephone operator Mobistar.

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## Gemplus Sells SkiData to Kudelski

Gemplus International has sold SkiData AG, its electronic access control solutions business unit, to Swiss company Kudelski SA. Kudelski will pay partly in cash and partly in shares. The transaction is expected to close within the next two months subject to customary closing conditions.

Gemplus indicated that this transaction was the result of an ongoing strategic process to further focus on its key growth markets.

Kudelski specialises in conditional access and system management solutions for digital interactive television and broadband Internet as well as in Smart Card-based security and ticketing systems.

## NEC Gains Security Certification

NEC Corporation and its affiliate NEC Electronics Smart Card Application Center in France has announced it has obtained the security certification conforming to the ISO15408 (Common Criteria).

This ISO15408 security evaluation of NEC's IC Smart Card microcontroller production facility in Yamaguchi, Japan was performed by AQL SA (Alliance Qualite Logiciel) an independent accredited French evaluation facility licensed by the Certification Body DCSSI (Direction Centrale de la Securite des Systemes d'Information) in France.

## Providian's One Million Cards

Providian Financial Corporation, one of America's largest credit card issuers, has announced it has issued more than one million Smart Cards in the US market in the nine months since it first launched a Visa-branded Smart Card.

Bill Buchanan, Executive Vice President of Business Development, said: "We are committed to issuing a large volume of multi-application Smart Cards with the ability to evolve and expand over time to suit our customers' needs. At one million cards, we are just getting started."

Providian's Smart Visa card is currently being offered by invitation.

## Vishay to Buy Infineon Business

Vishay Intertechnology is to acquire Infineon Technologies' entire infrared components business with worldwide headquarters in San Jose, California, for approximately US \$120 million and will take over Infineon's development, marketing and distribution activities in San Jose and its production facility in Malaysia.

In fiscal year 2000 Infineon's infrared components business posted revenues of US \$133 million. Subject to governmental approvals including the anti-trust authorities, the sale is expected to be completed by end of July 2001.

## New Smart Card Readers

SCM Microsystems has signed an agreement with MAXIMUS to deliver secure authentication to government agencies using Smart Card technology. Under the agreement, SCM will supply MAXIMUS with several Smart Card reader models over a 15-month period.

MAXIMUS, a systems integrator and one of America's largest government services companies, will integrate SCM's high-speed serial, USB and PCMCIA readers to meet the stringent cryptography requirements needed for secure authentication.

### Website

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

## Smart Card Internet Keyboards

Gemplus has announced an agreement with Compaq Computer Corporation and Fleet Credit Card Services to immediately deliver computer keyboards with integrated Smart Card readers.

To increase the security and convenience of online shopping for its customers, Compaq is introducing its Smart Credit Card Internet Keyboards with select models of its newest 5000 and 7000 Series Presario desktops. Integrating Gemplus' GemCore reader interface, Compaq is the first PC manufacturer to be recognised by Visa USA as "smart Visa Ready."

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## Noise Activated Smart Card

Tel Aviv-based ComSense Technologies has developed a card which communicates via sound. Called the ComDot card it does not require a card reader like other Smart Cards - only a computer with a sound card and a microphone. It is even designed to work over the telephone.

One of the first companies to licence the ComDot technology is iMetrikus, operator of the MyHealth Channel web site. Users will be able to use the cards to access accounts containing private medical information.

Visitors to MyHealthChannel are asked if they want to download a small program, similar to the plug-ins used in Web browsers. Once the program is installed, users hold their ComDot card up to their computer's microphone and squeeze a slight bump in the centre of the card. The card transmits an encrypted identifying code via high-frequency sound waves. The computer then verifies the ID with the ComSense servers. The user enters a PIN for added security, and the log-in is complete.

The ComDot itself consists of a three-year battery, computer processor, two speakers and a small amount of memory. It never emits the exact same tone twice, so even if someone tried to gain unauthorised access to patient files by recording the sound and replaying it, they would not succeed.

## Safeware Beats "Hacker" Attacks

Utimaco Safeware has announced that its digital signature solution, SafeGuard Sign&Crypt, was among a number of products tested by a team from the Bonn University computing science faculty and was the only one to survive their (simulated) attacks of the type currently carried out by hackers.

The aim of the attacks was to show that commonly used means of attack, such as Trojan horse programs, could be successful in capturing the security numbers (or PINs) used for activating digital signatures.

The team also found that they were able to succeed in changing the appearance of documents within the "secure viewer" of many of the tested products. The secure viewer is an additional feature provided by many signature solutions providers to ensure that users cannot sign documents that have been changed

without their knowledge.

However, with the methods applied by the team it was not possible to read the PIN from Utimaco's SafeGuard Sign&Crypt, neither could the team successfully change the text in Utimaco's secure viewer.

"Malicious threats from programs that can be sneaked into the PC as Trojan horses have long been recognised by security vendors," said Utimaco Safeware Director Norbert Pohlmann. "It is part of Utimaco Safeware's product strategy for the continuing development of its security solutions to take all recognised points of attack and weak spots in the operating system properly into account. One essential consideration is to provide protection from Trojans that read PINs."

Utimaco's SafeGuard Sign&Crypt is designed to carry out the signing and encryption of digital documents and e-mails. It is based around a combined hardware and software solution for optimum security, consisting of the signature, verification and encryption components, as well as an optional SafeGuard Smart Card and CardMan Smart Card reader.

### Website

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

## Largest Smart Transit in Europe

More than 1.3 million residents in Ýzmir, Turkey, use contactless Smart Cards for travel on buses, ferries and underground trains. The scheme, which was launched in 1999, is currently the largest Smart Card operated transit system in Europe.

Some 1534 buses, 22 turnstiles at six ferry terminals and 40 turnstiles in the new 10 underground stations have been equipped to handle the cards. With the integration of the system at the gates of the Ýzmir International Fair, the system is now complete.

Kent Kart implemented the scheme for the Ýzmir Metropolitan Municipality to encourage more frequent use of buses, trains, ferries and the subway by the public and help solve traffic problems.

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## China Part 1 - Smart Card Fever

China, a huge country with a population of 1.28 billion is a large Smart Card market where many different suppliers are present. Because of this large current or potential market, an international Smart Card exhibition has been held in May or June in Beijing every year from 1998 and has become an important event for the China Smart Card market.

Driven by the government, the China Smart Card market grew very fast during the last few years since the first Smart Card appeared in China. With a decade's development, the Smart Card has been used in more than 20 applications in China, such as phone cards, SIM cards, public transportation, social security, and so on.

Total cards issued in 2000 reached more than 230 million with an annual growth rate of 48.4% compared to 1999. And in future years, the China Smart Card market will continue to develop at a high growth rate of about 25% annually.

But accompanying this rapid development, many problems exist simultaneously. Without regulations and standards, the market developed disorderedly. Because of the serious industry monopoly, different ministries have different policies for Smart Card applications in their own industry.

Furthermore, Smart Cards in different cities cannot interact even in the same industry, e.g. a social security card in Beijing cannot be used in Shanghai. When people move they have to apply for another social security card in the new city.

The end results of this exhaustive analysis give a good understanding of China's Smart Card market, and show a market that is gathering steam rapidly. Despite the fact that plans are being delayed, and many of the initial test projects can only be called failures, the imperatives outlined below are driving the market forward, almost in spite of itself. After a market correction in 1999, we saw another rapid development cycle begin in 2000.

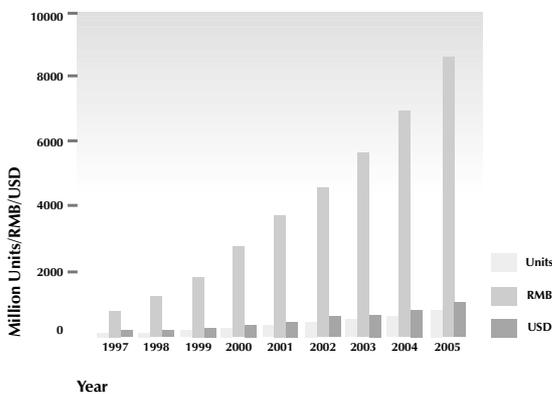
### Market history

The Smart Card market in China is a market by design. The genesis lies in the "Golden Projects," initiated in the early 1990s by the Ministry of Electronics (now merged into the Ministry of Information Industry, or MII). One of these was the Golden Card Project, which commenced in 1993. The purpose of this project was twofold:

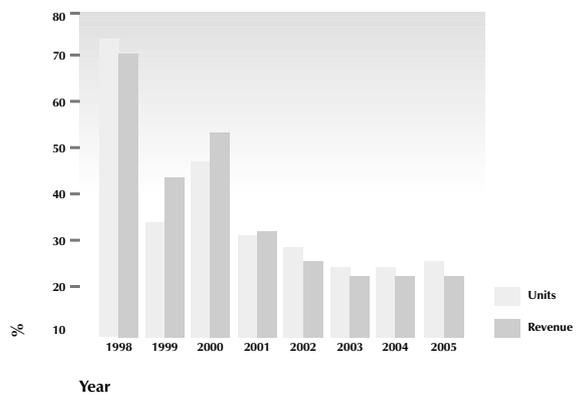
- 1 To introduce card technology to the Chinese economy, particularly to finance and payments, telecom and transportation.
- 2 To grow a domestic card technology industry.

The Golden Card Project, managed by the Golden Card Committee, would last 10 years and be realised in three different stages. One of the "Golden Projects," the Golden Card Project represents the IC card development program in China. It began in 1994. The plan is to issue 200 million IC cards to 300 million people in 400 cities in China.

Card Units and Revenues of 1997-2005



Growth Rate of Units and Revenues 1998-2005



## Total Market Numbers of China Smart Card Market Projections

The planning is separated into three phases:

1994 to 1996, the experimental phase. To select about 10 coastal cities or provinces to issue 30 million IC cards to 30 million people in China.

1997 to 1999, the extension phase. To select 30 to 50 cities with 100 million people to issue 60 million IC cards in China.

2000 to 2003, the popularisation phase. To issue 200 million IC cards to 300 million people in 400 cities in China.

These are merely the directive plans. Government card issuance will exceed these numbers, and smaller projects, particularly non-government projects, are not possible to control. The government's own projections already exceed the original planning in terms of numbers of cards and growth of applications.

For example, in order to promote and enhance the development of the domestic IC industry, China government has issued favourable policies for domestic IC industry development. In 1995, the government decided to build an integrated circuits chip production line of 0.5µm process technology on 8 inches wafer and a production line of 8 inches wafer in Pudong Shanghai. At the same time, seven integrated circuit design companies were established. The total investment was about RMB 10 billion. This was known as the "909 Project."

### A government driven market

This is a projects/contracts based market, very much relationship based and dependent upon government for real growth for main applications. The largest projects are contracted by either government or government affiliated bodies. In these cases, the dependence upon government is not just for project approvals, but also for funding.

There are, however, numerous smaller projects that are not carried out by government. The base unit for this market is a system, which can be a very large undertaking, and the system integrator is the key decision-maker in purchasing cards and hardware.

The Smart Card market is so promising because of what it can substitute for, and there are few substitutes for Smart Cards. In the United States, laser eye scanning is replacing ATM cards (and other ID applications) in a few select banks, though the systems still use both technologies. CPU cards are being used as substitutes for memory cards in certain applications, but there is no general substitute for

Smart Cards that will replace this technology in the near or medium term.

### Life of systems/cards

The life of a system depends more on how long the system is designed to be used rather than the normal life of the equipment. Systems are modified on a regular basis (as by contract). A single card can often go through as many as 50,000-100,000 transactions, though will be taken out of circulation before this time. In fact, card manufacturers benefit from the fact that cards (such as value-storage cards) are replaced before they need to be replaced. Phone cards, for example, are usually used one time, an important factor in making the phone card market very large.

### China barriers to entry

China barriers to entry for this market depend upon the type of company, foreign or domestic. All the foreign companies in this market have expertise and technology in Smart Card systems. None are here just based upon relations with the government. Domestic integrators usually need some kind of government affiliation, if they are not owned outright by a government department. Card manufacturers also need a production line of sufficient quality, which usually means that this is imported.

### Funding and sourcing

Real changes have occurred during these past years. From a central government oriented market we are now in a more economically oriented market. That is not to say that the Chinese governmental institutions are not present in the market, but to emphasise the fact that the central government failed to administrate this industry, and consequently local government bodies took more responsibility in sourcing and funding projects.

*by Christian-Jacques Heyer - cheyer@gcis.com.cn  
China Business Development Manager  
GCiS Information Technology Market Research*

GCiS Information Technology Market Research has published The China Smart Card Market Report 2001. For further information on how to purchase this report please contact Amanda Pearce at amanda.pearce@smartcard.co.uk or telephone +44 (0)1273 515651 .

*Next month: Part 2: The China Difference*

## Amex to Adopt Proton Prisma DP

American Express is to adopt Proton World's Proton Prisma DP (Dynamic Profile) product for future issuances of American Express' Java Card-based Smart Cards worldwide. Proton Prisma DP allows Smart Card issuers to deploy customised, multi-function cards using an open, Java card technology-based platform.

Amex plans to integrate two components - CALC (Card Application & Life Cycle Manager) and DFM (Data File Manager). CALC creates a framework for card issuers to more easily manage multiple applications on a single card, provides the ability to download Smart Card applications from multiple channels such as the Internet, and offers the ability for users to access multiple applications through a PIN. DFM allows card issuers to customise files and directories to support applications defined by the issuers themselves or by third party application developers, and allows this to occur dynamically after issuance.

Proton World is currently targeting the release of Proton Prisma DP in the first quarter of 2002.

### Websites

-  [www.americanexpress.com](http://www.americanexpress.com)
-  [www.protonworld.com](http://www.protonworld.com)

## Cashless Program for University

The University of Hartford in West Hartford, Conn. USA, has chosen Student Advantage's SA Cash Program to launch a stored-value program for its 6,882 undergraduate and graduate students.

The SA Cash Program will be up and running when the students return for the fall semester. The project will enable students, faculty and staff to purchase services and speciality foods, and pay for entertainment at off-campus merchants. Students use their university IDs to make purchases on-campus from vending machines, dining halls, the bookstore and laundry, among other on-campus applications.

Thomas J Perra, University Associate Vice President and Treasurer, said: "We are very excited about extending the use of the ID card in our neighbouring communities. The expanded use of the ID card will enable our students to purchase a wide variety of services that are not offered currently on campus."

## SmartBenefits for Transit Riders

WageWorks, a provider of commuter benefits options to employers, and the Washington Metro Area Transit Authority (WMATA) are working together to provide commuter benefits for Washington-area employers using the SmarTrip transit option. Transit riders can enjoy up to 40% savings on their commute with the ease of use of the WMATA SmarTrip card.

Since its launch in May 1999, the SmarTrip card has over 160,000 customers in the Washington DC metropolitan area. "I am glad to see that WageWorks is offering SmartBenefits to its customers. This means that national companies working with WageWorks can easily take advantage of the convenience and security of the SmartBenefit program for their Washington area employees," said Richard White, WMATA's General Manager.

The contactless SmarTrip card is a rechargeable fare card and also lets employers add transit value directly onto their employee's Smart Card, instead of distributing paper fare cards. With WageWorks, SmarTrip users can enjoy pre-tax savings of up to 40% with the convenience and speed of the existing SmarTrip benefits. They can save even more with WageWorks if their employer also wants to contribute to the cost of their commute.

## ABN AMRO ID-Key Smart Cards

ABN AMRO's Global Transaction Services (GTS) business unit has introduced ID-Key, an identity Smart Card based on Public Key Infrastructure (PKI) technology allowing clients to access multiple online applications secured by Identrus and providing a new level of trust for e-commerce users.

The development of ID-Key follows ABN AMRO's close involvement in the Identrus initiative as a founding member. The Smart Card is amongst the first applications of the new standard to go into production.

Susan Stellini, Head of B2B e-commerce within GTS at ABN AMRO, explained: "ID-Key is an easy to implement solution for digital signature and identification purposes. The value lies in the Identity Certificate and its ability to verify the authenticity of all participating parties within the Identrus system."

## Hypercom Attack on Skimming

Credit card “skimming” is escalating, victimising consumers, causing havoc with merchants and costing the industry hundreds of millions of dollars a year, says Hypercom Corporation which has called for a concerted effort to combat this form of fraud

Skimming is rapidly growing in virtually every major city in the US, UK, Europe, Canada, Latin America and is especially rampant in Asia.

Most skimming fraud involves a cardholder turning over physical possession of his or her card to a retail or restaurant employee, who then swipes the card through a small, illegal card reader, called a “skimmer.” The skimmer copies the data encoded on the card’s magnetic stripe. This information is then used to manufacture counterfeit cards that are used to rack up illegal charges. Industry sources estimate that the average skimmed credit card will generate some \$2,000 in fraudulent charges before being detected.

A new, and more dangerous variant of skimming involves implanting sophisticated skimmer bugs into card payment terminals. This form of skimming is particularly insidious since it obliterates the Common Point of Purchase (CPP), which is used today by the card associations’ neural network software to pinpoint those merchants where most skimming originates.

“It is time for merchants, consumers and industry leaders to join forces and seriously combat skimming,” said George Wallner, Hypercom’s Chief Strategist.

“We have four tools at our disposal to combat skimming: in the short term, we must put in place terminals that process cards right where the card holder is - especially in restaurants, right at the table. Terminals must also be made tamper resistant to prevent the implantation of skimmer bugs. They also must be capable of secure downloads to prevent the downloading of software skimmer bugs - which are surfacing at an increasing rate. Ultimately, however, our industry must move to Smart Card based credit cards because Smart Cards are skimming-proof.”

### Contact

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## Precis Completes Capella Merger

Precis Smart Card Systems’ shareholders have approved the merger with national healthcare solutions provider The Capella Group, and a name change to Precis, Inc.

Under the name Care Entree, The Capella Group markets a national healthcare membership program providing savings on physicians, hospitals, dentists, prescription drugs, vision care, hearing and chiropractic services. The program targets over 120 million Americans who do not have health insurance or are underinsured.

### Websites

-  [www.precis-scs.com](http://www.precis-scs.com)
-  [www.careentree.com](http://www.careentree.com)

## Smart Card Technology for DoD

Oberthur Card Systems and Smart Card integrator Litton PRC have been awarded a contract to supply an additional 600,000 Common Access ID chip cards to the US Department of Defense (DoD), bringing the total to 700,000 cards for the past year.

The chips on the new cards store digital certificates and digital signatures for authorised personnel who may do paperless contracting and require secure access to buildings and networks.

### Contact

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## Digital Cable STB for US Market

South African-based UEC Technologies and Nagravision have announced a new digital cable set-top box (STB) intended for the North American cable market. Called the “Eagle Box,” the product supports Nagravision Smart Card-based conditional access system and results from a joint product development agreement between the companies.

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## Hitachi Unveils Smallest RFID IC

Hitachi has developed the world's smallest RFID (Radio-Frequency Identification) integrated circuit chip called the "meu-chip," which is thin enough to be embedded in paper.

An in-house venture company, Meu-Solutions, was formed on 1 July and will collaborate with both in-house business groups and outside companies to help expedite proliferation of the meu-chip.

The meu-chip is wireless, accessible at 2.45GHz, 0.4mm square, and thin enough to be embedded in paper. With the ID information being stored in ROM (Read Only Memory) during the manufacturing process, it provides high resistance to tampering.

Features of the meu-chip:

- Integration of a 2.45GHz high-frequency analog circuit and a 128-bit ROM in an area of 0.4mm square silicon.
- High guarantee of authenticity by applying encryption technology to the 128 bit of identification information.
- Enabling electronic information on networks and information on paper or to be linked anywhere and anytime with assurance, thus making new services possible.

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## Louda Systems Card Counter

Louda Systems GmbH in Germany has developed a Card Counting System based on patented vision technology: A camera scans the edges of up to 1200 cards in Louda magazines or cardboard boxes inserted in a Louda magazine. Special vision software calculates the number of the cards reliably, based on the optical data collected by the camera.

A feature of the Louda LEC Counter is its ability to count card bodies made of virtually all materials used in the industry namely: clear cards, ABS, black cards, thin cards and multi-layer cards.

Louda provides a service to verify the feasibility of the system by means of individual tests of samples at no charge.

### Contact

- **Louda Systems**  
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✉ info@louda.de

## New Laser System for Cards

At the concluding event for the EU project Syladec (System for Laser Decoration), ORGA Kartensysteme in Paderborn presented the prototype of the first plastic card with colour laser marking. It is the result of four years of joint research by companies and universities from five European countries. ORGA will be able to include the patented system in its product portfolio in two years' time.

Up to now, only monochrome markings have been possible with laser light. ORGA has developed a laser marking system for personalising Smart Cards and other plastic products with coloured lettering, company logos and images in photographic quality.

As part of the project, each of the partners contributed its own core competencies, with ORGA adding these components to produce the new colour lasering method. "The challenge faced by ORGA was to identify the perfect interplay of material and laser," explained ORGA Project Manager Dr Matthias Schumacher.

The advantage over imprinted lettering or images is the high level of security against forgery - vital for identity documents such as passports and driver licenses. A further strength of the system is the ease with which coloured laser marking can be integrated in the Smart Card production process. Laser marking is also an environmentally friendly technology that dispenses with the need for printing ink and wet chemical development of photos.

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## Management Buy Out at Thyron

Thyron, a UK supplier of terminal-based mobile payment solutions, went into liquidation last month and was bought from its founders in a management buy out.

The new company, now trading as Thyron Technologies, is headed by Peter Gee as Chief Executive Officer, with Bill Thompson, Sales Director; Kalim Qureshi, Applications Director; and Tom Cullen, Finance Director.

Formed in 1984, Thyron was an early pioneer in Smart Card technology, and quickly became recognised as a leading supplier of Smart and magnetic card terminals. Today, it specialises in the supply of Mobile Point of Sale terminals, with clients including Lloyds, Barclays and VodaFone.

In recent years, the market for hand-held, mobile and fixed transaction solutions based on established communications technologies, such as GSM, has matured rapidly and continues to grow.

According to Peter Gee, who leads the MBO team of four: "The demand for hand-held and mobile payment solutions - particularly those which are independent of communications networks, card technologies or geography - is very significant. We have a superb opportunity for growth by building on our position as the leader in a market which we confidently expect to expand consistently over the coming years."

However, to realise this opportunity, Gee felt it was essential to leverage Thyron's track-record in the sector, rather than continue to expand into the broader market for Internet-based e- and m-commerce solutions, as the company had recently begun to do.

"In many ways, it is business as usual," he said "as we will continue to develop, supply and support our customers and trade channel in the same way as Thyron's terminal division always has. The difference is that the company's full resource is now committed to these processes, so we can deliver an even better service and develop yet more advanced solutions."

### Contact

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## People on the Move

**Harald Book**, one of the founding members of the management of ORGA Kartensysteme, left the company at the end of June to begin an active retirement. As one of the founders of ORGA, he has influenced almost a decade of Smart Card production in Schleswig-Holstein. Under his aegis, the company has grown into one of the world's leading Smart Card manufacturers. His achievements included the formation of 16 subsidiaries, participations and branch offices around the world. Mr Book will be a consultant for ORGA Kartensysteme.

**Franz-Josef Deckers** is the new CFO of ORGA. Aged 42, he has been at ORGA since 1996 as Finance Manager. He has also been director of ORGA Cartes et Systèmes SARL in Paris since 1998.

IO Card Group has appointed **David Leask** as Sales Director for the UK and Ireland. Recently he was Sales Manager of Smart Cards and secure solutions at ST Microelectronics and also worked at De La Rue Card Systems and Ingenico.

Dione has appointed **Tim Dean** as Alliances Manager for the European market. He has over 20 years' experience in the IT sector and recently worked for CPIO, one of Sage's largest UK resellers.

**Scott Loftesness** and **John Elliott** have been appointed to the Board of Payment Technologies, Inc., (PTI). Elliott has served as a member of the Board of Directors of several major corporations and the Electronic Funds Transfer Association, and was founding member of the International Council of Smart Card Applications and Technologies (SCAT). Loftesness has over 25 years' experience in the information processing and technology industries including serving as Group Director, First Data Merchant Services and Group Executive Vice President, Visa International.

Oberthur Card Systems in America has appointed **Daniel DeFore** Director of Marketing responsible for magnetic stripe cards, personalisation and related fulfilment services. He recently led MCI WorldCom as a senior manager in charge of company-wide CRM tools designed to reduce costs, improve revenue contribution and improve customer retention.

## Mobile Commerce Roll-out

Holland's Postbank and mobile operator Telfort are offering an initial 500,000 Dutch consumers a free, pre-paid Siemens M35i Internet-enabled phone as part of a large-scale mobile commerce roll-out. The idea is to provide customers with mobile access to Postbank's retail banking services, Telfort's pre-paid call credit top-up facilities, and mobile services from Genie, BT's mobile Internet portal.

Postbank, in association with Macalla Software and CMG Finance, developed a combined SMS/WAP facility to deliver banking services to customers on the move. WAP is being used to deliver secure interactive banking services to pay bills, transfer funds, check account balances and stock information through a pre-configured mobile phone, linking them to Postbank's core banking systems. The bank says it will add stock trading later this year.

SMS is being used to trigger and fulfil call credit prepaid top-up.

## Test of GPRS Roaming for 3G

Nokia and Finnish mobile operator, Sonera, have for the first time verified the quality of GRX (GPRS Roaming Exchange) roaming in a third generation mobile environment. The tests were conducted in Nokia's trial UMTS platform, established for the purpose of testing future 3G services.

### Contact

- **Nokia Networks**
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## Wireless Printing with Bluetooth

Socket Communications has demonstrated wireless printing using the Socket Bluetooth Card to enable a Windows-powered Pocket PC to connect and print wirelessly to an HP Deskjet 995c inkjet printer. Socket also demonstrated Bluetooth connections between a Pocket PC and a mobile phone, a LAN Access Point, a digital camera and a notebook PC.

### Contact

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## White Paper on TDMA Operators

The CDMA Development Group (CDG) has published a white paper called GSM or CDMA: The Commercial and Technology Challenges for TDMA Operators, which compares CDMA and GSM migration paths as 3G options for TDMA/IS-136 carriers.

The Shosteck Group served as independent consultants for the paper which is available on the CDG Web site at [www.cdg.org](http://www.cdg.org).

The study addresses both technical and commercial issues that TDMA operators face today in choosing a 3G technology, such as handset and infrastructure availability and cost, spectrum requirements and backward compatibility.

The Shosteck Group concludes that CDMA may offer significant advantages over GSM for some TDMA operators, especially for those licensed with 800 MH spectrum.

### Contact

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## Microcell and Novatel Agreement

Microcell Solutions, a Canadian provider of Personal Communications Services (PCS) operating under the Fido brand name, has signed an agreement with Novatel Wireless, a provider of wireless data access solutions, to purchase Novatel Wireless' Merlin G100 Wireless PC Card Modem for North American GSM/GPRS networks.

This will be the first commercially available wireless PC card modem for GSM/GPRS networks in the Canadian market, enabling new generation data transmission speeds to wireless users.

### Contact

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  - ✉ ahernandez@candelori.com
- **Claire Fiset** Microcell
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  - ✉ claire.fiset@microcell.ca

## Nokia Ships 9210 Communicator

Nokia has announced the availability of its 9210 Communicator, which was launched at the Mobile Internet Conference in Prague, Czech Republic. Incorporating a full-colour display, high-speed Internet, e-mail and fax, as well as extensive support for office applications, it is the first mobile multi-media device combining voice capability with a broad range of features enhancing daily information management on the GSM 900/1800 networks.

### Contact

- **Nokia Mobile Phones**
- ☎ +358 7180 08000
- 📧 [www.nokia.com](http://www.nokia.com)

## OmniSky and Ericsson Team

OmniSky Corporation has announced that it is working with Ericsson to deliver OmniSky's wireless e-mail and Internet service via Ericsson's Bluetooth and GPRS (General Packet Radio Service) mobile phones in Europe.

They will co-operate to ensure interoperability between their Bluetooth and GPRS products and services, and co-market solutions to European mobile network operators and distributors. The two companies recently demonstrated a Bluetooth solution, integrating the Palm V/Vx and OmniSky's service with the Ericsson T39 and R520 phones.

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- 📧 [vwagar@omnisky.com](mailto:vwagar@omnisky.com)

## Western Wireless Buys tele.ring

Western Wireless International Corporation has completed the acquisition of all the outstanding shares of tele.ring Telekom Service GmbH, a provider of GSM mobile, Internet and fixed-line services in Austria, from a subsidiary of VodaFone Group. As of the closing, tele.ring provided services to over 200,000 GSM and 150,000 wireline subscribers. The existing network currently provides coverage to over 92% of the Austrian population.

### Contact

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## ClearWave Tops Two Million

GSM operator ClearWave, a subsidiary of Telesystem International Wireless, has reached the two million subscriber mark. ClearWave has been growing at an average of almost 90,000 subscribers per month in 2001 and added a total of over 525,000 new subscribers since January 1 of this year.

ClearWave's subsidiary in Romania, MobiFon, operating under the brand name Connex has been growing at a rate of almost 50,000 subscribers per month and had approximately 1,462,000 subscribers at June 30, 2001, up from 1,172,000 at end 2000.

Cesky Mobil operating in the Czech Republic under the brand name Oskar continues to be one of the fastest growing start-up cellular operators in Central and Eastern Europe. It reached 500,000 subscribers in June after less than 15 months of commercial operation and had approximately 540,000 subscribers at June 30, 2001. Oskar has been growing at a rate of 40,000 subscribers per month, adding almost 250,000 subscribers, a 77% increase, since the beginning of this year.

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## MGI Forum Launched

Ericsson, Motorola, Nokia and the Siemens Information and Communication Mobile Group (IC Mobile) have launched the Mobile Games Interoperability (MGI) Forum, which will work to define a mobile games interoperability specification for network-based servers. The specification will enable game developers to produce and deploy mobile games that can be distributed across multiple game servers and wireless networks, and played over different mobile devices.

The MGI Forum has evolved out of the "Universal Mobile Games Platform" initiative, which was announced in March by Ericsson, Motorola and Siemens IC Mobile. The aim of the initiative is to specify a global standard and to develop certification procedures to encourage a wide adoption of the standard.

### Contact

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## New Smart Card Show for the UK

The team behind the successful Infosecurity Europe Show have announced SmartSolvexpo 2002 - a new Smart solutions and applications event for the UK to be held at Olympia 2, London from 23-25 April 2002. The conference and exhibition will run alongside Infosecurity Europe 2002. The Advanced Card Awards 2002, a leading awards event for the Smart Card industry, will also feature at this event.

Advanced Card Awards Managing Director Jane Adams, said: "SmartSolvexpo 2002 and the Advanced Card Awards 2002 together will play a valuable role in growing the value of the UK market across all application sectors of the Smart Card industry."

With ten months to go before the show opens Reed Exhibitions already have a strong list of founder exhibitors including ActivCard, ORGA and Oberthur Card Systems.

For further information about the show contact Richard Burgess on +44 (0)20 8910 7983 or Jane Adams on +44(0)207 226 9841 for information about the Advanced Card Awards.

## Campus Smart Card Contract

Mesbah Taherzadeh, President and CEO of QI Systems, has announced that QI has been retained by one of British Columbia's leading universities to supply and install a major campus Smart Card solution that incorporate QI's suite of SmartVend devices. Installation will be completed before the start of the fall 2001 session of the university.

QI's SmartVend technology enables debit card purchases by consumers from a wide range of vending machine types. The SmartVend system is currently being used in conjunction with many card schemes, including Visa Cash, Mondex (MULTOS), CANTV (Venezuelan phone card), Telus SmartONE card and others. The SmartVend systems have been installed in Coca-Cola and Pepsi vending machines, coffee, snack and sandwich machines, laundromat machines (Maytag), copiers, newspaper vending boxes for such publications as USA Today and in parking machines.

### Contact

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## Michael Jackson Fan Club Card

OTI, P-Card System and Mega-Access have announced the launch of the Michael Jackson Fan Card, the first in a series of cards based on their Smart Card solution for ID, payment and loyalty.

OTI, a provider of microprocessor-based contactless Smart Card technology, P-Card System, a provider of Smart Card-based payment systems and Mega-Access, a provider of on-line identification, loyalty and ticketing solutions, will deliver the first shipment of 250,000 cards from the end of July.

Members of the Club, run by MJ Entertainment AG, can order the contactless multi-application Smart Card, which also serves as the club's membership card, from the official web site. With the ability to download new applications to the card from the web site as they become available, cardholders will be able to use the card for shopping and loyalty programs both online and in retail stores.

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## EdgeWare Support for MULTOS

Canadian Smart Card software developer EdgeWare Technologies Corporation has announced full support for the MULTOS Smart Card operating system with the upcoming version of its application software suite. EdgeSmart solutions include loyalty, e-gift, transit, hospitality, leisure and event ticketing, campuses and municipalities. The suite offers its own multiple purses, but can be integrated with an international purse like Mondex.

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## Smart Optical Card for Saudi

The Government of Saudi Arabia has issued its RFP (Request For Proposal) calling for a Smart Optical Card - a card with an optical memory and an IC chip - for a national ID card. The market will be for approximately 10 million cards.

## Domain Dynamics Buys ET Voice

Domain Dynamics, signal processing and voice authentication specialist, has acquired ET Voice, the voice technology subsidiary of European Telecom plc, as part of its plan to become a leading global supplier of voice authentication and word recognition solutions in the wireless handheld and associated Smart Card and e-commerce industries. Through the acquisition, the Domain Dynamics Group has regained the worldwide rights to commercialise and exploit TESPAP-enabled products in the wireless industry.

Dr Fredrik Verkroost, CEO, said: "TESPAP signal processing and voice authentication technology has the essential qualities needed to set new standards - TESPAP is compact, robust in the most restricted of environments and requires only very low power processing power. Above all it is a widely tested and proven technology."

Domain Dynamics holds an extensive patent portfolio for TESPAP (Time Encoded Signal Processing and Recognition) with which it has addressed over 80 industry applications in areas including Smart Cards, intelligent intruder detection systems, machinery condition monitoring, word recognition and voice authentication systems. Rather than manufacturing end products, the Company establishes technology transfer arrangements and licences with organisations including earthport, DERA, Rotadata and GenRad.

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## Esso Ireland's TigerMiles Project

### Clarification from Applied Card Technologies

"Further to our previous item regarding ACT's contribution to the Esso Ireland's TigerMiles project, we would like to clarify some details.

"Whilst Esso Ireland have taken delivery of some 400,000 cards to support this initial phase of the scheme, these had already been ordered and were not provided by ACT. We would also like to point out that ICL have managed the roll-out of the TigerMiles project."



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# PROTONWORLDFORUM 2001

BRUSSELS, BELGIUM, 18-19 SEPTEMBER 2001

INTERNATIONAL CONVENTION & EXHIBITION CENTRE "LES PYRAMIDES"



THE PROTONWORLDFORUM IS THE ANNUAL EVENT FOR THE INTERNATIONAL PROTON COMMUNITY. IT PROVIDES A TWO-DAY OPPORTUNITY FOR EXISTING AND POTENTIAL CUSTOMERS TO MEET AND DISCUSS WITH SMART CARD EXPERTS AND PROTON PARTNERS. DELEGATES WILL HEAR ABOUT THE LATEST DEVELOPMENTS IN SMART CARDS FROM LEADING INDUSTRY EXPERTS IN THE CONFERENCE SESSIONS. THEY WILL BE BRIEFED ON NEW PRODUCTS (E.G. PROTON PRISMA) AND THEIR STRATEGIC IMPORTANCE FOR THE SMART CARD MARKET. WITH A MINIMUM OF INVESTMENT IN TIME, YOU CAN MAKE UNIQUE CONTACTS WITH PROTON WORLD'S PARTNERS AND VENDORS AND SHARE EXPERIENCES WITH PROTON USERS AND SMART CARD SPECIALISTS.



Representatives of the major international payment card brands will present their views on the opportunities that new smart card technology developments will bring.



Other conference topics will be case studies and testimonials from financial and governmental institutions, telecom, mobile operators, postal services, transport operators, etc.



Panel of industry experts will discuss and answer audience questions on strategic topics such as the co-operation between sectors, security issues, evolutions in worldwide standards, etc.



Specialised workshops led by Proton World experts will explain the business proposal, the benefits and the features of the new Proton Prisma range of multiple-application products.



Private meetings and Q&A sessions will enable you to ask smart card experts your specific questions, for example about your future business opportunities or the integration of applications.



For an updated programme, partner list and bookings, please visit:

[WWW.PROTONWORLD.COM/FORUM2001](http://WWW.PROTONWORLD.COM/FORUM2001)

Visit the exhibition with over 20 stands from Proton World's partners and certified manufacturers, the cybercafé, the Proton in Action circuit and the speaker's corner.



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