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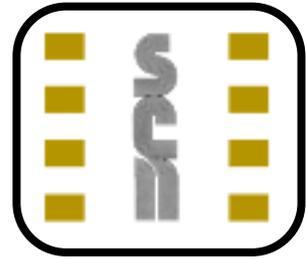
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Dear Subscribers,

This month saw the annual Smart Card jamboree in Paris. This show is now in its 20th year and has lost none of its glamour. I was particularly interested to sample the various electronic passport offerings whilst at CarteS. I looked at the SETEC (a Gemplus company) and the Axalto passport. Of the two I have to say Axalto was the quickest and most comprehensive, they were able to take the photo, fingerprint and signature within 4 minutes and transfer the data to the chip which is inlayed within the back cover of the booklet.

The SETEC offering only took my photo and I was not able to take the sample away with me as I have to sign a NDA, which is going to be sent to me and then they will send the sample passport. The reasoning behind this apparently, is to keep control of the number of chips issued. The SETEC passport has the information inlayed within 11 layers of polycarbonate inside the booklet which I think looks and feels better.

However one of my major concerns about the venue for Cartes is; don't even think of going if you are physically disabled. The whole place has been designed without a thought to how you can get around in a wheel chair or on crutches, you just can't.

Also this month Elsevier held their annual Biometrics conference and exhibition in London. This was the most successful to date with a substantial increase in numbers. Of particular interest was the increasing promotion of facial biometrics which has yet to make its presence felt. There was lots of discussion over the results of the Home Office trail and particularly the problems of registering users with the various biometrics. It all sounds negative but I believe it is only a matter of time.....

Patsy

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Biometric Passport for Germany



Germany has become the first country in the European Union to introduce biometric passports. The passports appearance is the same, but it contains a concealed encryption radio frequency identification (RFID) chip within the passports cover that stores the passport holders personal information such as name and date of birth, as well as a biometric scan of the persons facial features.

The biometric scan measures and records a persons unique facial features such as the distance between the bearers' mouth, eyes, nose, forehead and chin and creates a readable digital facial image of the holder using this data. The biometric scope of this new German passport will be increased further from March 2007 when it is proposed the passports RFID chip will also store a scan of the holder's left and right index fingerprints. Iris scans could also be added at a later stage of the passports development. The German passport printing authority, the Bundesdruckerei GmbH, selected contactless Smart Card RFID chips developed by Munich-based Infineon Technologies AG and Royal Philips Electronics for the country's new passports on behalf of the German Ministry of Interior. Bundesdruckerei estimate that they will need to replace around 24 million German passports currently in circulation. When passengers have their passports checked at the airport by immigration officers, an airport control device detects and reads the minute embedded electronic tag allowing the passport holders facial features to be compared with what is stored in their actual passport ensuring people are who they say they are.

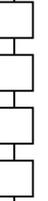


The German Interior Minister Otto Schily has stated that the new passports will help prevent forgery and fraud and make it easier to track criminals. "With modern methods of biometric identification, it's obviously easier to find out whether a particular document is the one that was actually issued to a person and whether a person standing in front of you is who they say they are," said Schily. According to him the introduction of Germany's new biometric passport is "a real security bonus".

The new German biometric passport is well ahead of the rest of Europe in responding to the tougher passport regulations issued by the US following the 9-11 bombings in New York in 2001. After two postponements requested by the EU, the US has made it clear that after October 2006, biometric passports will be mandatory for all travellers to the US from European "visa-waiver" countries - States without a visa obligation. To date France, Italy and Austria have missed the US' deadline for a far less sophisticated digital, machine-readable passport. The UK passport service aims to start issuing their new biometric passport by February 2006. The German passport also complies with EU regulations approved in December 2004 which require all EU member states to start issuing electronic passports on which facial and fingerprint features are electronically stored by January 2008. In being the first to achieve a national roll-out of an electronic biometric passport, the German government believes that, if this technology is a success, then it will boost Germany's image abroad and benefit the semiconductor industry. So German companies such as Infineon, who develop the chips for the new e-passport, could gain a profound competitive edge in the market.

However the use of biometrics has raised some concerns amongst data protection campaigners and computer specialists. They fear that the passport information once scanned could be used by countries to formulate a databases of photos and fingerprints that could then be used to illegally track travellers. In response to this human rights issue the German government has said they will not have a centralised database of the confidential information. However this does not stop other countries gathering this sensitive information.

One person who feels strongly about this unauthorised access to the confidential biometric data is Germany's data protection commissioner, Peter Schaar. He wants to see more safeguards. Schaar said "We need an EU-wide ruling to prevent storage of this data. This has all happened too fast." His concerns also stem from his belief that a lot of questions went unanswered during Germanys security tests of the new passport "We haven't been able to properly assess how secure the new passport will be." Mr Schily on the other hand said "I believe the security benefits for everyone are clear-cut, so I can't understand why anyone would raise doubts,"





Smart Cards

Card Market Growth in the Balkans

NOMAD Software believes the time is right for major players to step up their commercial and retail banking investment in the Balkans. In an area still known more for civil war and post soviet dislocation, than for bank accounts and mortgages, NOMAD argues that the opportunity for card market growth in the region is at its peak. John Yeoman, chief executive, NOMAD Software commented: "The Greeks, being in fairly close proximity to the Balkans have always seen opportunities here, where other foreign businesses have feared to tread. Greek lenders have spent an estimated one billion dollars buying up bank assets in the Balkans, which still has a virtually undeveloped bankcard and EFT industry. But this industry is on the verge of tremendous growth, especially now that peace prevails in the region. However it will be a while before the majority of southeast Europeans are ready for the full array of financial products, and so we believe the Balkans are ripe for major development".

Contactless Cards for KeyBank

Building on the rapidly growing popularity of contactless payment cards, Axalto is supplying more than two million MasterCard PayPass cards to KeyBank for the first contactless debit card rollout in the US. Axalto contactless payment Smart Cards enable cardholders to simply tap their card on the reader or within one inch of a point-of-sale terminal at checkout, instead of swiping their card or handing it to a store employee. The terminal quickly emits a signal acknowledging payment confirmation. The payment transaction is then processed.

Smart Cards For Malaysian Workers

The Malaysian Government will introduce a biometric Smart Card system costing RM30 million for the identification of the 1.2 million foreign workers in the country, by the end of the year. Home Affairs Minister Datuk Seri Azmi Khalid said the system would encompass three categories of workers: general category (construction industry, manufacturing and restaurants; plantations and vegetable farming. He said the system is being introduced to help the authorities monitor foreign workers and the Smart Cards issued to them would contain their personal information as a replacement for passports.

ActivCard Unveils New Identity

ActivCard Corp has changed its name to ActivIdentity. The Company's board of directors has approved the name change and it will be submitted to the Company's stockholders for approval at the annual meeting in February 2006. However, as of now, the Company will do business under its new name, ActivIdentity.

Smart ID for Pfizer

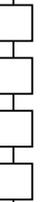
Pfizer, Inc is deploying igemplus technology for a smart badge identity management system. The system is designed to enable digital signatures, and to secure employee access to networks and facilities worldwide. To date Gemplus has shipped over 100,000 Smart Cards to Pfizer. The deployment of smart identity badges is part of Pfizer's "Global Identity Services" (GIS) program, which upon completion will be used by its employees, contractors and business partners all over the world. The Gemplus identity management solution, "SafesITe", allows Pfizer to benefit from two-factor authentication, which combines the traditional "something you know" (password or PIN), with "something you have" (smart integrated badge), enabling greater security than traditional username/passwords.

Setec Increases Production Capacity

Setec is hoping to double its passport and ID card production capacity. In this way, Setec will aim to become the passport and ID technology competence centre within the Gemplus Group. Setec's Board of Directors has accepted a major investment plan for Setec's production to meet the increasing demands of the biometric passport and polycarbonate-based ID market. The first phase will take place over the next six months with the increase of the capacity of the passport and ID card printing and lamination. Phase two will see the company investing in the finishing line for ID products. Many of these investments will be in place by the end of the year.

5M Contactless Cards for the US

Axalto "will provide approximately five million of its contactless smart payment cards to top banks in the US by the end of this year" said Paul Beverly, president of Americas for Axalto. The issued MasterCard PayPass cards will include both credit and debit cards to enable "wave and go" payments. "U.S. financial institutions are leading the move to contactless payment cards," Beverly added.





Sun Powers Belgian eID Program

Sun Microsystems has successfully demonstrated to the Belgian Federal Government ICT (FEDICT) the integration /interoperability of the Belgian Electronic Identity (eID) cards with multiple Sun products. Based on Java Card technology, the eID cards provide Belgian citizens with identification, strong authentication and signature capabilities. Currently, more than 1 million Belgians have eID cards and additional cards are being issued at a rate of 150,000 cards per month. The Belgian government estimates that by the end of 2009, 8.2 million citizens age 12 years and older will have eID cards, based on Java Card technology, allowing them to access enhanced government and enterprise services.

Swedish Police Get Passport Readers

ACG Identification Technologies and Arcontia AB have announced that their customised passport readers were chosen by Setec and the Swedish Police Department for use within the country's nationwide electronic passport project. In total, 320 units were installed in local police stations across the country to be used by citizens when collecting their newly issued electronic passports. Arcontia modified the reader modules, especially to fit the requests of the Swedish Police, and created a new customised housing, which is developed to fit both electronic passports and national ID cards.

MicroPass Approved by Visa in US

MicroPass by INSIDE Contactless, a next generation contactless microprocessor chip, has been approved for use in Visa Contactless payments in the U.S. MicroPass is a key component of a new contactless product developed in partnership with Smartac Technology Ltd., for the pre-lamination processes, and the card manufacturers Giesecke & Devrient GmbH (G&D) and CPI Card Group. The new product significantly enhances the business case for contactless payments and will be available to U.S. financial institutions beginning in January 2006.

Axalto Sites Receive Certification

Axalto has achieved BS7799 certification for its Smart Card production and personalisation centers of Tours (France) and Fareham (UK) and its development center in Austin (USA). BS7799 is the most widely recognised information security standard in the world and will soon become ISO 27001.

It provides a systematic approach to managing the protection of confidential company and customer information.

Contactless Solution For Visa Program

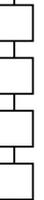
STMicroelectronics and On Track Innovations Ltd's (OTI) secure contactless microcontroller solution has been approved by Visa International for use in its Visa Contactless program in the US. STMicroelectronics will supply the contactless microcontroller and has partnered with OTI to provide the operating system and application, the contactless card technology including the inlay technology, and CPI Card Group, a plastic card manufacturing company, to embed the cards.

Navigo Intergrated into Mobile Phone

Axalto has launched a pilot project developed alongside Bouygues Telecom to validate the concept of purchasing travelcards online and using them in contactless mode via an i-mode multimedia mobile phone. Axalto and Bouygues Telecom propose a solution enabling commuters to pass through metro barriers with their mobile phone, whereby the objective is to provide the same quality of service as existing contactless travelcards. Phones integrating this feature are equipped with an antenna and an "enhanced Near Field Communication" (eNFC) component for contactless communications. The travelcard contained in the Navigo application on the subscribers' SIM card, called Proximera, cannot be read nor used without their knowledge, since end-to-end security is guaranteed for the transaction by the Navigo specification. The pilot will be operational by mid November.

New Encrypted e-Passport

RIMCO-XXI has patented new encrypted contactless e-Passport. The new encrypted RIMCO-XXI e-passport contains three main components: contactless Smart Card chip (example, the Philips P5CT072 chip), read/write crypto contactless chip at 125 kHz and metal-transponder using both nuclear magnetic resonance in magnetically ordered materials. RIMCO XXI e-passport supports industry standards (ISO/IEC 7816 and ISO/IEC 14443 with Type A and B communication), offers 424 kbit/s communication speed, is ready for biometric data (ANSI/INCITS 358-2002: BioAPI v. 1.1: facial features, fingerprints and others) support and compatible with International Civil Aviation Organization (ICAO) requirements.





New e-Ticketing Reader for NSB

Arcontia's contactless Smart Card readers have been rolled out to the Norwegian State Railways (NSB) for use within the nationwide electronic e-ticketing project. In total, 1000 pocket PC's with the attached compact flash readers are to be used by train conductors across the country.

Polish Plant Ahead of Schedule

ID Data's Polish card manufacturing plant has been opened, one month ahead of schedule, and is now fully operational. The new manufacturing facility is based in Bydgoszcz, Poland and is a joint venture with Ortis, a Polish print group, and Argo, a Polish card services company. Initially, the plant has the capacity to produce 150 million cards per year with this figure rising to 250 million cards over the next 15 months. With the increased capacity now available through this new manufacturing plant, ID Data intends, through a newly created trade division, to supply cards to customers based throughout Europe, the Middle East and Africa. Sales will be targeted at clients operating in the retail and financial markets.

PCI-PED PIN Pad Approval

Ingenico's new i3070 and i3380 PIN pads have received Online and Offline PCI PED (Payment Card Industry - PIN Entry Device) approvals. These security requirements were established by Visa International and MasterCard International to ensure that cardholder PINs are always handled securely at the PIN acceptance device and provide the highest level of security for payment transactions. Ingenico is the first company with combination Online and Offline PCI PED approved handheld and countertop PIN pad products. Additionally, Ingenico is the first terminal supplier to have two PCI PED approved products in its range.

Optimus Selects GemConnect

Gemplus's GemConnect Device Manager has been selected by Optimus, the 3rd largest mobile operator in Portugal. Gemplus' GemConnect Device Manager enables Optimus to automatically identify the handsets in the field and download the correct configuration over the air. Once in place, the solution will help Optimus' call centre staff to identify and rectify any potential configuration problems. Should a user change to a new handset, the application automatically configures the new handset so users will always get the most out of their mobile device.

MoneytIC Card for Visa V PAY

Oberthur Card System has issued the first live cards for Alpha Bank Greece using the new Visa Europe V PAY. Alpha Bank in Greece was the first card issuer worldwide to complete a live V PAY transaction. The transaction was conducted using the MoneytIC Chrysalis EMV card from Oberthur Card Systems.

Cryptoflex .NET for Microsoft

Axalto has delivered an additional 22,000 Cryptoflex .NET Smart Cards to Microsoft to help secure access to its corporate assets, bringing the total number of cards delivered to 47,000. The cards are being issued to Microsoft employees worldwide in the form of a corporate badge used for logical and physical access to Microsoft's facilities, systems and applications.

Egypt's eTaxation Card Rolls Out

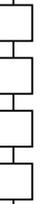
The General Taxation Authority (GAT) of the Egyptian Ministry of Finance has linked up with ORGA Kartensysteme GmbH to launch a pilot for more security in the administration of tax revenues. ORGA is to supply 300,000 Java-based PKI Smart Cards starting in November 2005. ORGA is collaborating with Raya Integration, Excel Systems and Sefiro to develop the solution.

GemAuthenticate for OneSMART

Gemplus' user Authentication Server, GemAuthenticate has been successfully tested against the MasterCard OneSMART Chip Authentication Program (CAP) specification. The approval makes it possible for financial institutions to use GemAuthenticate with the popular MasterCard authentication program. Gemplus is the first Smart Card manufacturer to achieve this certification.

2M eID Cards for Belgian Citizens

Axalto and system integrator Zetes will have delivered more than two million electronic identity cards for the Belgian Personal Identity Card (BelPIC) program by the end of this year. The BelPIC roll out is expected to reach 11 million cards by 2009. This Smart Card is now the official ID document for Belgian citizens. It gives Belgian citizens more secure access to e-government services such as tax returns, changes of address, obtaining civil records/birth certificates, declaring household employees. In the future, the card will also enable electronic voting.





Chip and PIN for UK Car Parks

Thales and G2 Integrated Solutions are to deliver Chip and PIN payment technology to the parking market in the UK. The first project the two companies will collaborate on is a trial of Chip and PIN at the Mid Stay Car Park at Stansted Airport. It is believed this will be the first live, UK trial of Chip and PIN technology with Unattended Payment Terminals (UPTs) at an airport car park.

Biometrics

e-Passports for Norway and Sweden

Setec has begun the personalisation and delivery of Norway's new biometric passports. As of October 2005, all the conventional passports in Norway have microchips with biometric identifiers. The passport booklets are manufactured by Setec in Finland and the booklets are personalised by Setec's subsidiary, Setec Norge AS, established in Oslo, Norway, earlier this year. Setec has also begun the mass delivery of the new biometric passports and national identity cards with a function for electronic services (EID cards) for Sweden. This follows the 2004 multi-year agreement between the Swedish authorities and Setec's Swedish joint-venture AB Svenska Pass to deliver biometric passports. This agreement also includes the delivery of the national Swedish EID cards.

Biometric ATMs for South Africa

South Africa is introducing biometric fingerprint identification at ATMs and the phasing out of cards and PIN codes. Major banks in the country are investigating the use of fingerprint identification, which could be introduced within the next seven months. South African banks are already conducting tests into biometric identification technology, where fingerprint verification sensors are used at ATMs. Clients place their fingers on the machine sensor and the screen tells users whether they have been recognised, and whether they may withdraw cash.

Identix Receives \$1.4 Million in Orders

Identix Incorporated and Sentillion have stepped into the healthcare industry. They have delivered their combined biometric single sign-on solutions to more than 21 healthcare institutions across North America. Identix perceives that leading healthcare companies may be increasing the adoption of biometric authentication solutions to safeguard sensitive information.

Identix has received a purchase orders for Healthcare deployments for its BioLogon authentication software and from channel partners that integrate or embed Identix' enabling BioEngine authentication technologies and accompanying single finger readers representing more than 35,000 site licenses. The total value of these purchase orders is approximately \$1.4 million.

Precise Acquires Remaining Shares

Precise Biometrics is acquiring the remaining 6 % of shares in the Swedish company Loqware Sweden AB. Payment comprises a new issue of shares in Precise Biometrics.

Pay By Touch Acquires Cardsystems

Pay By Touch has agreed to acquire substantially all of the assets of CardSystems Solutions, Inc., a merchant payment processing provider. The terms of the deal have not been disclosed.

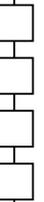
Deployment of BioDriver

Sequiam Biometrics has deployed its BioDriver biometric access and tracking control system with Coca-Cola Canners of South Africa. Africa's leading soft drink vendor is using the BioDriver biometric fingerprint system to track all activity of the independent truckers entering the canning site. The system verifies the identity of any third party trucker entering the site, tracks their time of arrival, verifies inventory pick up and departure time. The driver's details are captured through name, ID, license, transport company, fingerprint and photo. On recurring visits, drivers entering the plant will be recognised by their fingerprint and photo, which is displayed for verification by plant security and recorded in a database. Upon exiting, the driver is again recognised by fingerprint and the security boom is opened automatically producing an un-forgable, time-stamped and lasting record of all activity on the site which effectively reduces the opportunity for illegal access or on-site fraud.

Radio Frequency Identification

RFID to Reach \$26.9 Billion by 2015

According to industry statistics, the worldwide market for RFID technology was US \$1.49 billion in 2004. The growth prospects for the RFID market are very bright.





The demand for RFID systems is ever increasing. The RFID Industry figures will rise from US \$1.95 billion in 2005 to \$26.9 billion in 2015. The RFID vendors are increasingly gaining from the sale of RFID hardware components. The RFID applications are used for security/access control, toll collection, animal tracking, automobile immobilisation, and many others.

Newer applications are being developed where the RFID systems can be used, specially in the United States. Various end users in the vertical markets will be able to derive direct benefits from the RFID systems integrators. Different plans that have been implemented in the economic sectors: Wal-Mart, Metro AG, Target, Tesco, and the US Department of Defense. More consumer goods item level tagging will open new leads in the RFID market. This can lead to reduced costs and labours of the vendors and lesser crimes against theft. Better customer satisfaction is another area that can be tapped easily by investment in the RFID sector.

By 2015 900 Billion Food Items Tagged

Research and Markets new report estimates that by 2015 900 billion food items could be RFID tagged, and 824 million livestock will have more sophisticated, more expensive tags on or in them. Recent devastating outbreaks such as foot and mouth disease, mad cow disease and avian flu plus contamination recalls and bioterrorism are driving strict new legislation on food traceability. In addition, consumers are also demanding more information about the food they consume (as do the police and customs). The potential for RFID tagging of livestock is billions yearly and the potential for radio tagging of food is in trillions a year.

This industry is already on the move in a major way. It includes market pull, with McDonald's recently mandating full traceability from suppliers and Wal-Mart, the world's largest retailer, mandating RFID on all incoming pallets and cases. This is a prelude to tagging everything. It has legal push with the new European Union legislation in 2005 demanding "one up one down" traceability and the US Homeland Security legislation demanding unprecedented levels of traceability. China and Japan are also in the lead, and they have their own concerns. For example, Japan is convicting criminals that pass off inferior foreign fish as coming from Japanese waters. Billion dollar businesses will be created as a consequence - much the same as happened with barcodes years ago.

Sokymat Acquires IMASYS

Sokymat SA, a supplier of RFID transponders, has announced that it has acquired IMASYS, a German supplier of RFID inlay manufacturing equipment based in Pfronten, which joined the Sokymat Group effective November 1st, 2005.

Financial Results

Oberthur Reports 3rd Quarter Results

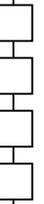
Oberthur Card Systems has reported the sales for the third quarter that ended September 30, 2005. Third quarter sales amounted to 124.5 million euros up 15.8% on a year-on-year basis. Third quarter sales sustained growth is mainly due to the microprocessor cards segment. With 48 million cards delivered versus 37 million in Q3 2004, the company posted a +31% increase. Despite intensified pricing pressure in GSM, sales for this segment are up +15% with 80 million euros this quarter.

OTI Estimates 2005 Revenues

On Track Innovations Ltd. (OTI) has indicated that it expects revenues for the first nine months of 2005 to reach \$24 million, which would represent an increase of 56% over the first nine months of 2004. Revenues in the third quarter in 2005 are expected to be approximately \$9.5 million. The increase is attributed mainly to growth in the contactless payments market. OTI further indicated that it expects revenues in regards to its earlier announcement from September 29, in relation to the manufacture and sale of OTI-based Travel Document inlays for an Asian government, to reach low tens of millions of dollars per year starting from 2007 and onwards. It is estimated that the delivery of initial quantities will commence in the second half of 2006.

First Data Reports 3rd Quarter Results

First Data Corp has reported its financial results for the third quarter of 2005. Consolidated revenue for the quarter was \$2.7 billion. Net income for the quarter was \$422 million. Cash flow from operating activities for the quarter was \$796 million, and \$1.7 billion year-to-date.





Fargo Reports 3rd Quarter Results

Fargo Electronics, Inc has reported net sales for the third quarter ended September 30, 2005, of \$22,456,000, an increase of 14% over net sales of \$19,626,000 reported in the third quarter of 2004. Net income for the third quarter was \$3,071,000, an increase of 33% over the \$2,305,000 achieved in the third quarter of 2004. Gross profit margins for the quarter were 43% compared to 41% in the third quarter of 2004.

Ingenico Reports 3rd Quarter Results

The Ingenico Group booked (unaudited) consolidated sales of 104 million euros in the third quarter of 2005. Sales climbed by 8.3% year-on-year (96 million euros in Q3 2004). This performance is in line with the company's forecasts for the period.

Atmel Reports 3rd Quarter Results

Atmel Corporation have released their financial results for the third quarter ended September 30, 2005. Revenues for the third quarter of 2005 totaled \$418.6 million, versus \$412.2 million in the second quarter of 2005 and \$413.2 million in the third quarter of 2004. Net loss for the third quarter of 2005 totaled \$1.1 million or \$0.00 per share. The third quarter results include a restructuring charge of \$2.8 million related to headcount reductions.

On the Move

New Board Leader for Alliance

The Smart Card Alliance has announced a new chair and its 7th member 2005-2006 executive committee. Greg Garback, executive officer, department of finance for the Washington Metropolitan Area Transit Authority (WMATA) in Washington, DC, was elected chair. Garback has represented WMATA at Alliance meetings and events since 1999 and has served on the board of directors since 2002.

Hypercom Appoints New CSTO

Hypercom Corporation has appointed Jonatan Schmidt to the newly created position of Chief Scientist and Technology Officer (CSTO). Mr. Schmidt will focus on research and advanced engineering development activities. He will report to William Keiper, CEO of Hypercom.

HID Appoints New Director of Sales

Harm Radstaak has been appointed director of sales for Western Europe at HID Corporation. Harm is based in Holland with responsibilities for sales direction in France, Benelux, Italy, Spain, and Portugal.

Changes at ID Data

ID Data Systems has appointed John Cooke as Commercial Director, Barry O'Brien as Chief Technical Director, and Marshall Haldane as Operations Director. ID Data plc has also appointed of Mr Peter Robinson as Sales and Marketing Director. In addition, CardBASE Technologies Ltd, ID Data's Irish based card application management software business, has demonstrated its own independence within ID Data through two new managerial appointments. CardBASE has appointed Pierre Heuze as Development & Operations Director, and Don Stapleton as Sales and Marketing Director.

New Sales Manager at Bell ID

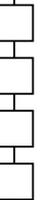
Hugo Crawford, former Sales Manager at Oberthur Cards Systems, joins Bell ID, bringing with him his extensive experience in the Smart Card industry in terms of strategic sales and business development.

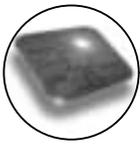
ICMA Elects New President and VP

The International Card Manufacturers Association (ICMA) Board of Directors has elected Herbert Grün of Giesecke & Devrient as the association's new president. Grün, formerly ICMA's vice president, succeeds Tai Kyu Choi of KBC Corporation, who served as president of ICMA for the past two years and was also ICMA's first leader from the Asia/Pacific region. As well, Fernando Bautista of Thomas Greg & Sons was elected to serve as vice president of ICMA, and Bud Kronenberg of Keystone Plastics was elected as the newest board member. Each will serve a two-year term, effective immediately.

Cardxx Appoints New CEO

Cardxx has appointed Kevin Kucera to the position of Chief Executive Officer and President. Instrumental to Cardxx's expansion, Kucera will oversee marketing and operations to increase market share and sales revenues.





Smart Cards in Financial and Loyalty Applications

FROST & SULLIVAN

Currently, most banks or card issuers and retailers consider the adoption of Europay-MasterCard-Visa (EMV) or migration to Smart Cards a lengthy and costly process. The high price of implementing the Smart Card system in comparison to legacy infrastructure such as the magnetic stripe system, has dampened the speed of migration. Now however, industry efforts coupled with support from the major card associations or payment organisations are poised to reduce the cost of migration. At the same time, its successful application in areas such as telecommunication and transportation have provided added impetus to the acceptance of smart cards in banking (financial and loyalty) based operations. The growing realisation of its multiple benefits-enhanced security features, large memory size and type of interface - have also added to the appeal of Smart Cards in the banking sector. Smart Card based banking and payment (EMV compliant) cards are also seen as crucial to combating high fraud rates associated with magnetic stripe cards in banking applications. "The security features offered through this technology increase consumer's confidence to conduct transactions both online and offline," explains Frost & Sullivan Smart Card Analyst Anoop Ubhey. "In addition, the card's large memory and processing capability opens opportunities for banks or card issuers and acquirers to generate additional revenue and provide value-added services to clients. In other words, it will act as a key differentiator for the financial institutions and retailers to better acquire and retain customers."

Versatile interface methods between the cards and readers are adding to the popularity of Smart Card technology. For banking applications, cards offer both contact and contactless interface and sometimes a blend of both - combi (dual interface on a single chip) and hybrid (two separate chips). In particular, the use of contactless technology has been steadily expanding with the initial rollouts and deployments highlighting their numerous advantages. For instance, contactless payment credit cards (such as PayPass by MasterCard and Visa Wave by Visa) are experiencing high uptake due to the speed and convenience they offer cardholders. At the same time, the strong performance of contactless technology in the transportation arena is encouraging its use in other application segments, particularly in access control. One of the key reasons for shifting to smart card based payment cards will be the migration deadlines and liability shift set by Visa and MasterCard. The process of EMV migration for banking applications has been ongoing for the past couple of years in almost all geographic regions. While fraud was touted as the major motivating factor for large-scale migration to EMV compliant cards in Europe, Middle East and Africa (EMEA), Latin America and Asia Pacific (APAC), banks in North America have adopted a more case-by-case approach. According to Frost & Sullivan, unit shipments for the world banking (financial and loyalty) markets totalled 311.6 million in 2004, with revenues standing at US\$583.9 million in 2004. By 2010, unit shipments are anticipated to reach 1123.8 million while revenues are projected to be worth US\$1672.0 million. EMEA will continue to lead the market in terms of unit shipments and revenue, especially when focusing on EMV Smart Cards with the United Kingdom at the forefront of EMV migration.

While multi-application or multi-purpose capability has been among the major selling points for Smart Cards, this promise has yet to materialise. Many currently available Smart Card projects in both banking and non-banking applications are considered to be very dedicated cards with simple applications. Stressing the importance of developing multiapplication functionality, Mr. Ubhey remarks, "Banking multi-application programmes across all regions will further boost the loyalty market. The first additional service that banks tend to deploy on their bankcards and payment cards is loyalty. A number of banks have partnered with merchants to deploy and operate loyalty programmes on top of their payment function." As the market expands, competition is intensifying. Leading the competition is Oberthur Card Systems with a vibrant 24.2% in 2004. Mr Ubhey continues to say 'Looking at the first half of 2005 Oberthur Card Systems looks in a healthy position to retain its market leadership'. Other participants include Axalto, Giesecke & Devrient, Gemplus, Incard, ORGA (recently acquired), among others. Leveraging the EMV migration deadline and liability shift, an increasing number of local card manufacturers have also entered the fray. "There is a trend toward module sales to other participants outside the key or global companies for banking cards, particularly payment cards. These companies are mostly plastic card manufacturers certified by MasterCard and Visa," concludes Mr. Ubhey.





The Arrival of Biometrics



By Vito Fabbrizio, Director - Portable Storage and Wireless, UPEK, Inc.



In a TV commercial for IBM laptops, when a road warrior tells his colleague about the new biometric fingerprint sensor, his friend reacts by saying, "Bionic finger...cool! It's like 10 times stronger than the regular finger." The scene pokes fun at the general public's lack of familiarity with biometric technology, but at the same time the fact that one of the largest PC manufacturers is investing in education via broadcast advertising is an indication that the technology has arrived for broad mainstream usage.

In an increasingly digitized and virtual economy, where digital files have replaced paper and where online payments have replaced cash, biometrics has emerged as a unique technology that recognizes unique individuals as who they are, not what they have or what they know. In addition to providing greater security for digital assets, fingerprint authentication offers the convenience of replacing passwords so that users don't have to worry about memorising passwords or writing them down on a piece of paper. And since logging in is as simple as swiping a finger, people are more likely to actually follow security protocols such as using strong i.e. complex passwords. In other words, convenience engenders even more security. How secure is biometrics? And what about privacy concerns? Fingerprint biometrics is secure since all humans have unique physiological traits, and these traits cannot be lost, forgotten or stolen the way passwords, PINs, keys and tokens can.

Instead of using actual fingerprint images, authentication devices distill and use a mathematical representation called a template, which cannot be used to create the original fingerprint image. In UPEK modules, conversion to a template, storage and matching are all performed within a secure hardware chipset to avoid communication with the less secure environments of the host processor and hard drive.



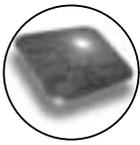
Real world biometric applications are today both feasible and in high demand now that the technology has become cost effective for the mass market and the recent spate of identity theft incidents has generated demand for a means of authenticating individuals. In addition, the growing installed base of devices with embedded fingerprint sensors such as notebook PCs, flash drives, USB peripherals and wireless devices is establishing a platform upon which consumer applications can be built. Real world applications in the wireless space are also emerging. The concept of a virtual wallet on a mobile handset is viable thanks in part to the strong growth of smart phones and mass market education in countries like Japan and South Korea. The latest smart phones with embedded fingerprint sensors possess the ability to enable high security banking and m-commerce transactions based on a more secure two-factor authentication scheme, combining something you have (your phone) and who you are. This highly secure and convenient mechanism allows transactions with just a swipe of a finger, eliminating tedious key entering.



Mobile banking presents another environment where fingerprint biometrics can solve the dire market need to authenticate individuals. Nowadays, simply possessing someone's credit card number or web account username and password is often sufficient enough to impersonate him and make purchases. In an architecture that leverages fingerprint authentication, a user would register his credentials with the financial institution while keeping his fingerprint data securely locked in his own device, reducing privacy concerns.

Then, whenever the user tries to access his account or make an online payment, the online merchant would request authentication, the user would swipe his finger, and once verified securely unlock a secret e.g. a one-time password that confirms the authentication. As described in these applications, the opportunities offered by fingerprint biometrics are enormous. Market demand continues to grow, and the technology has reached a maturity and price level that make it an obvious solution.





Gemplus Vs Axalto - Seconds Out Round Three

By Jason Smith, Staff Reporter, Smart Card News Limited



Jason Smith

The third quarter results have been released by the Smart Card industrys two strongest contenders. Smart Card News was at the ringside to bring a blow-by-blow account of how these two big hitters stood up against each other. In one corner we have Gemplus International. Gemplus was founded in 1988 and is active around the world, with 50 sales and marketing offices, 4 R&D centers, 17 personalisation facilities, and 11 manufacturing sites. Gemplus supplied 656 million Smart Cards in 2004 bringing Gemplus' total to over 5 billion Smart Cards to date.

In 2004 Gemplus generated a revenue of 865 million euros (\$1,037.82 million) and was confirmed by industry analyst Gartner Inc (2004) as the industry leader, for a sixth consecutive year, with a 29.9% market share. In the other corner we have Axalto. Starting off life as Schlumberger Smart Cards and Terminals Division in 1979, Axalto broke free of Schlumberger in 2003 and went public in 2004. Axalto currently have 4,500 employees who come from over 60 different countries and serve customers in more than 100 countries throughout the world. They have estimated to have supplied 3 billion Smart Cards to date. In 2004 Axalto generated a revenue of \$960.4 million (800.47 million euros) and held a global market share of 22.7%. The Smart Card Industry is broken down into segments so this is how the two companies performances will be judged.....Ding ding, seconds out, let the competition begin.



Telecommunication - This segment of the market accounts for over 60% of the third quarters revenue for both Axalto (64%) and Gemplus (62%). Axalto's revenue in this segment reached \$135.2 million (112.7 million euros) in their third quarter. They recorded a 17% increase in volumes of SIM cards sold, which topped 77 million units. Almost 2 out of every 5 cards sold during the three month period were high-end cards, a 50% increase on the comparable figure of a year ago.

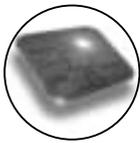
This progress contributed to offsetting the SIM cards sales price reduction, which averaged 18% compared with the third quarter of 2004. Gemplus recorded a revenue for the third quarter of 154 million euros (\$187.7 million) which is a 17.5% increase from the same quarter in 2004. In this quarter Gemplus' card shipments rose 43% year-on-year to 87.6 million units, reflecting strong sales, notably in the Americas and EMEA. This shows that Gemplus is becoming stronger within this segment, making \$72 million more in this quarter than Axalto. Gemplus have seen a substainally greater increase in revenue compared to its third quarter in 2004. Axalto's revenue had only increase by 1.5% from the same quarter the previous year.

As anticipated the decline in this segments revenue, recorded in Asia, meant that Axalto's activity contracted by 28% compared with the third quarter of 2004. Gemplus saw a simliar decline in revenue of 14% within this region. This significant drop in revenue for both companies was due to lower demand from the leading Chinese telecommunications operators engaged in a major re-organisation in preparation for the opening of their market to international competition following China's decision to join the World Trade Organization. Another cause is the very high comparative base of the same period of 2004, when migration from pre-paid scratch cards (without a microprocessor) to entry-range microprocessor cards had been strongest in Southern Asia. Axalto considers this present situation in Asia will develop favourably since competition between local and international mobile communications operators active in China will intensify and result in increasing requirements for the most advanced technology. With its strong presence in the region, Axalto is best positioned to seize future upsurges in demand. This is shown by Axalto recently winning a major order with in asia for 17 million cards.



Financial Segment - Axalto's revenue within this segment reached \$49.1 million this quarter and they delivered over 20 million microprocessor cards. This figure is a 4.2% increase from the same quarter in 2004.





Gemplus, on the otherhand, saw a greater raise in revenue of 11.1% compared to their 2004 third quarter. Gemplus' revenue for 2005's third quarter was 58.9 million euros (\$70.7 million). This equates to a staggering 29.8% difference in revenue between Gemplus and Axalto, in Gemplus' favour. This increase in reveue for Gemplus was primarily driven by the consolidation of Setec.

In total, they shipped 22.1 million units of microprocessor cards within this segment, up 30% year-on-year. Within the financial segment the 2005 third quarter saw an acceleration of EMV deployment in Continental Europe, Latin America and Asia which helped the performance of both companies. On the EMV side, Gemplus has recently delivered multi-application EMV Smart Card microprocessor modules in mass volume to JCB, the largest card issuer in Japan. Similarly, Gemplus was also selected to deliver its new generation of off-line smart banking cards, compliant with the latest MasterCard specifications for EMV, for the Russian bank, Surgutneftegazbank. In addition, Gemplus was selected to deliver its GemInstant cards, which are MasterCard Paypass compliant, to one of the top 10 US banks for their contactless payment program. Axalto on the otherhand expects that its first success, publicly announced with Keybank, will be followed by further similar contract wins with tier-one financial institutions.

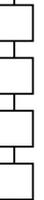


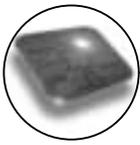
ID and Security - Within this segment Gemplus has seen major growth in its revenue reflecting the consolidation of Setec. Gemplus' revenue in this quarter has more than doubled year-on-year. In the third quarter of 2004 Gemplus achieved a revenue of 8.5 million euros but in 2005 their third quarter revenue had increased to 21.5 million euros. Adjusted with the difference for the acquisition of Setec, Gemplus actually saw a robust growth of revenue of 51.2%. This revenue growth was mainly driven by sales to government agencies in the US and Corporate Security in Europe.

In the third quarter Gemplus' first shipments of e-passport datapages to be issued in Norway and Sweden, the first two countries in the world to issue mandatory e-passports nationwide, had commenced. Axalto's revenue in the quarter was \$15.2 million, which looks like a helathly proportion of the market. However when compared to their third quarter in 2004 we see that they actually used to hold a greater share with a revenue of \$18.2 million. This means that in the most recent quarter compared to their performance in the same quarter of 2004, Axalto have actually reduced their revenue within this segment by 16.5%. This revenue variation is said to be due to lower deliveries in the pay TV business and 2005 strong comparative base when initial deliveries of new large orders - in particular to the US Department of Defense and to the Puerto Rico Department of Health - began. Axalto's activities within this segment remain subject to large project timelines and decision cycles, and they have not started to see the benefit from the global increase in national identity programs aimed at deploying electronic passports and ID cards. During the quarter, Axalto signed a new licence for its patent portfolio, with LG Electronics, of Korea.

Prepaid Cards - This segment within the industry is seen as non-strategic and with places like Southern Asia migrating their prepaid cards to Smart Cards, it is also seen as a less profitable environment for the major players. The sales of phone and scratch cards are decreasing faster than expected. Axalto saw a drop in its prepaid cards revenue in this third quarter of 1.9% year-on-year only achieving a revenue of 7.8 million in 2005. This value represents only 3% of Axalto's total revenue in the quarter. Gemplus on the other has taken 13.5 million euros this quarter, but has seen a fall of 39% from 2004's third quarter. This is a substantial loss of revenue for both company's but it is offset by the prepaid card transition to Smart Cards and the gains that are produced from this.

Overall Performance - Overall in the third quarter Gemplus achieved a revenue of 247.9 million euros (\$297.4 million) from all its activites. That is a staggng 15.5% gain from the figure achieved in the same quarter of 2004. It appears that Gemplus has achieved a strong momentum in its core businesses. Axalto achieved a quarter revenue of \$207.2 million (172.74 million euros) which is a fall of 2.3% compared to 2004's third quarter revenue income of \$212.1. This means that Gemplus generated \$90.2 million (75 million euros) more revenue in the third quarter 2005 then Axalto. That's a percentage gain of 43.5% more revenue. This then shows that in this third quarter Gemplus is triumphant as they have out performed Axalto in all segments of the Smart Card industry. However Axalto is not beaten yet as they are currently tracking 40-50 potential takeover targets worldwide to boost their growth and to increases their competitiveness with Gemplus.





At the end of June 2005, Axalto had a net cash balance of US\$220.3 million and will either use that money for acquisitions or reinvest it in the business. Axalto's Chief Executive Officer, Olivier Piou said the list of targets comprised competitors, companies in various market segments like identity and security, banking, mobile communications and point-of-sales terminals. However Piou declined to name any potential targets. But to sum up his company's performance over the third quarter, Piou said

"Axalto delivered another strong performance, almost matching last year's highest-ever third quarter. The strength of our business in the Americas, the excellent start of financial contactless card deliveries, and commercial successes in the EMEA region fully compensated the predicted significant slowdown in Asia and delays in electronic passport projects around the world. Axalto's balanced and distributed model, industrial flexibility and technological edge were again decisive to address the dynamic and rapidly changing market place. This quarter Axalto has demonstrated its agility and prepared its future well."



Alex Mandl, President and CEO of Gemplus then defended his corner by saying: "This was the tenth consecutive quarter of continuous strong progress for Gemplus. The top line grew at 15%, with robust growth in all core businesses. Year-to-date operating income grew fivefold. With an operating margin of 8.6% for the third quarter 2005, our 2007 target of 10% is clearly within our reach. Moreover, our quantum-leap technology, GemX-plore Generations, is receiving strong customer response. We therefore continue to be very optimistic about the long-term growth prospects for our Group."

Events Diary

December 2005

- 30 Nov - Dec 01 GSM Africa, 2005, *Cape Town, South Africa*
06 Third Annual Micro and Small Payments Conference - *New York, USA* - www.sourcemediaconferences.com/conferences/MSP05/
- 06 - 08 Infosecurity - *New York, USA*
- 07 SIM : More Integrated Solutions - *workshop led by ORGA Kartensysteme GmbH*
- 08 - 09 GSM Americas 2005 - *Miami USA*

January 2006

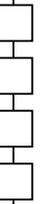
- 18 - 20 Omnicard 2006 - *Berlin* - www.omnicard.de
- 25 - 26 Security Printing & Alternative Solutions in Central/Eastern Europe & Russia/CIS - *Bucharest, Romania* - www.security-printing.com
- 24 - 26 Wincor World 2006 - *Paderborn/Germany*

February 2006

- 13 - 16: 3GSM World Congress - *Barcelona* - www.3gsmworldcongress.com
- 13 - 14 TechMecca 2006 - *The Woodlands, Texas* - www.techmecca.net
- 14 - 16 RSA Conference San Jose, *USA*

March 2006

- 21 - 23 The 14th Convergence India 2006 international exhibition & conference - *New delhi, India* - www.convergenceindia.org
- 07 - 10 IC Card World - *Tokyo* - www.iccard.jp
- 20 - 22 Prepaid Mobile - *Prague Czech Republic*





The What, Who and Why of Contactless Payments



By Randy Vanderhoof, Executive Director, Smart Card Alliance



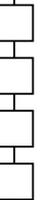
Randy Vanderhoof

Leading banks are issuing millions of contactless credit and debit cards to consumers, and leading retailers are installing contactless readers that can accept contactless payment and are integrated with point-of-sale (POS) systems. The rate of deployment of contactless infrastructure is the highest ever observed for emerging payments products and technology in recent memory. This year marks the beginning of contactless payment adoption in the U.S., a process that requires consumers to understand how to use the technology and requires everyone involved to understand its value and relationship to the existing payments infrastructure.

What Exactly Is Contactless Smart Chip Technology? Contactless smart chip technology relies on a secure microcontroller or equivalent intelligence, internal memory, and a small antenna embedded in a device that communicates with a reader through a contactless radio frequency (RF) interface. This technology is used in a wide range of applications. From delivering fast, secure transactions as in transit fare payment cards to protecting personal information in government and corporate identification cards, electronic passports and visas, contactless smart chip technology is being leveraged to improve speed, convenience and security. Contactless smart chips can securely manage, store, and provide access to data on the device in which they are embedded. They can perform internal functions (e.g., encryption) and interact intelligently with the contactless reader. Contactless smart chip technology is available in a variety of forms - plastic cards, watches, key fobs, documents, and other handheld devices, such as mobile phones. This technology is not related to "non-smart" RF chip technologies, such as the RFID tags used for inventory management/product tracking applications, which require minimal functionality.

"Contactless payments" is one application of contactless smart chip technology. Contactless payments are simply payment transactions that require no physical connection between the consumer payment device and the physical POS terminal. In the United States, the term "contactless payments" refers to the use of payment products currently supported by American Express (ExpressPay), MasterCard (MasterCard PayPass), and Visa Contactless. All three products are based on ISO/IEC 14443, the international standard for contactless smart chip technology. Contactless payment devices are restricted to be read within 2-4 inches of a POS terminal vs. RFID tags which are designed to be read at large distances. In addition, contactless payment applications include other measures that are specifically designed to protect the security of the consumer's information and the payment transaction.

Why Use Contactless Payments? Just what are the advantages of contactless payments over other methods of payment - magnetic stripe cards and cash? Why are merchants moving to deploy this new form of payment? Why are consumers willing to change the way they pay? The answer is speed and convenience, as has been substantiated in the early implementations. Consumers no longer have to fumble with cash and change or worry about having enough cash for a purchase-they can tap their contactless payment device on a reader and go. In most cases, they do not even have to sign a receipt or enter a personal identification number (PIN). As a result, merchants see sales volumes increase and transactions speed up. Merchants also enjoy lower costs, as a result of fewer requirements to handle cash, improved operational efficiencies, and reduced maintenance required by contactless readers. In merchant segments where speed and convenience are key to merchandising and customer service, contactless payments also translate into improved customer acquisition and retention. By issuing secure contactless payment devices, financial service providers are not only supplying consumers with a more convenient payment mechanism, they are also increasing transaction volumes by replacing cash. In addition, service providers can now differentiate themselves with innovative new form factors. In the long term, contactless cards and tokens enable merchants and issuers to collaborate on lifestyle products that blend the features (e.g., security, convenience, special offers), packaging (e.g., cards, tokens, personal devices, mobile phones), and delivery of payment products into a variety of product types targeting different cardholder segments that have specific desires for their shopping experience.





What Current Market Activities Are Attracting Attention? Over the last few months, quite a buzz has surrounded the contactless payments market. Multiple card issuers have announced rollouts of contactless cards in the United States. Issuers and merchants are targeting 8-10 major markets in 2005, with many more to follow. Recently JPMorgan Chase started deploying the contactless "blink" card in Atlanta and Denver. Chase announced it will issue more than 1 million cards in both cities and is planning to issue additional contactless cards in more cities this year. The Chase blink card is based on the Visa and MasterCard contactless payment technologies. American Express has started nationwide issuance of new Blue Cards with Express-Pay contactless payment technology. MBNA has been issuing its affinity credit cards, targeting specific sports stadiums in multiple cities. The card is based on MasterCard PayPass contactless technology. Citibank will be issuing 2.5 million debit cards and key fobs with MasterCard PayPass contactless technology. Keybank plans to issue contactless debit cards based on MasterCard PayPass technology, replacing all of its debit card portfolio with the contactless cards. HSBC Bank has begun issuing new debit cards that feature MasterCard PayPass contactless payment technology to new and existing customers. The transaction experience as we know it is going to change. According to the May 2005 Nilson Report, "There should be 5 to 7 million Visa and MasterCard contactless chip cards in the market by year-end, and 15 to 20 million by the end of 2006."

The card issuers are not going it alone. Many of the nation's top national and regional retailers have either enabled or are in the process of enabling their POS systems to accept contactless payment cards and key fobs. Top retailers who have decided to start accepting contactless payments at all of their store locations in the United States include: 7-Eleven, Inc, Boater's World Marine Centers, CVS/pharmacy, McDonald's, Regal (Theaters) Entertainment Group, Ritz Camera and Sheetz. Many medium-sized and smaller merchants are being assisted by acquirers and ISOs so that they can begin accepting contactless payments shortly. Finally, a long list of well-recognized retailers have enabled some or all their store locations in at least one of the targeted cities to accept contactless payments. The list includes Subway, KFC, AMC Theaters, United Artist Theaters, Arby's and RaceTrac to name a few. Another form of retailing, major sports stadiums and entertainment venues, are also being enabled to accept contactless payments. Sports fans and event attendees can obtain MasterCard PayPass-enabled contactless cards and key fobs with their favorite sports logo on them. MBNA is issuing PayPass-enabled branded affinity cards for the Seattle Seahawks, Baltimore Ravens, Philadelphia Eagles, Detroit Lions, and New York Giants that let fans speed through concession lines. At some stadiums, certain lines are dedicated to this new form of payment.

What Does It All Mean? Even at this early stage, the evidence shows that contactless payments have the strong potential for rapid adoption in the U.S. Contactless payments offer a new, safe way to pay that not only provides benefits to consumers, merchants, and issuers, but also opens the door to new form factors and related value-added applications. Contactless payments allow creativity and differentiation to flourish on the foundation of the mature card industry. Contactless payments are the most important card payment innovation in the last decade. Early adoption on the part of many major card issuers and top-brand merchants, and investments by and cooperation with the card associations, mean that 2005 is the year of contactless payments for North America. Significant numbers of contactless cards are being issued, the number of accepting merchant locations is increasing rapidly, and consumer usage is steadily increasing. Contactless payments are safe, secure, and convenient. Although based on chip-level RF technology, contactless payment technology is fundamentally different from RFID and is built from the ground up on requirements for high security. Contactless payment devices use sophisticated smart chip technology with built-in intelligence and multiple safeguards specifically designed to protect against fraud. Built on the current payment infrastructure, contactless payments leverage layered security systems and deliver clear value propositions to all stakeholders. Consumers enjoy the convenience, merchants realise faster checkout times and increased throughput, and issuers achieve increased activation rates and usage.

Over the next few months, we can expect to see significant growth in the adoption and use of contactless payments in the U.S. Other market innovations made possible by the use of smart chip technology, such as loyalty, rewards, and other value-added offerings, are already emerging alongside contactless payments. A new era of payment has begun in the United States.



SESAMES Awards 2005

By Jason Smith, Staff Reporter, Smart Card News Limited



As a part of the CARTES 2005 Exhibition & Conferences, the SESAMES Awards have become in 10 years a global standard for card manufacturers and related industries, and are now recognised as the unchallenged innovation labels. This highly-coveted competition is open to all international industry actors: manufacturers, users, integrators and developers. The Sesames awards celebrate the unique contribution and investment of leading industry Smart Card players in developing next generation products and solutions.

At the award ceremony to start the Smart Card industry's Cartes exhibition in Paris, Axalto won three awards. Their SmartFob won "Best Hardware of the Year". The SmartFob is a contactless portable device. It consists of a SIM plug-in module inserted in a contactless device by the end customer or during personalisation. It provides the same functionality as a 14443 Contactless Smart Card and can also easily be equipped with a switch to avoid any RF communication without the authorisation of the device holder.



Axalto also won "Best ID Application of the Year" for their Axseal range. Axalto designed the Axseal range to support governments and their secure printing agencies and partners in their migration to chip-enabled passports. Axseal consists of a range of e-passport solutions designed to assist booklet machine manufacturers and national printing offices in mass producing and personalising electronic passports in accordance with security, performance and durability (5 to 10 year operability).

Axalto's partnership with STMicroelectronics in designing a USB Full Speed enabled Smart Card on ST22T064 32b Microcontroller as won them the "Best IT Security Application of the Year" award. The USB Full Speed is a Smart Card platform combining high-speed communication techniques, a high-performance 32-bit RISC microprocessor, a layered Software architecture based on a micro-kernel core supporting Java Card applications, the TCP/IP communication protocols and private Web services capabilities.



By transferring large amounts of data at up to 12 Mbits/s, the USB (Universal Serial Bus) full speed solution enables end users to access a wide range of pioneering multimedia applications while benefiting from enhanced security and protection of their personal credentials. This solution opens up new uses for Smart Cards in consumer electronics, such as SIM-based conditional access and digital rights management for ADSL or mobile pay-TV, digital signature, and home-networked applications. "We are delighted that the Sesames Jury endorses our innovative USB Full Speed Technology for Smart Cards," said Alain Jarre, director consumer & IT business unit, STMicroelectronics.



Xiring, a manufacturer of Smart Card based solution, also took home three awards. The first was the "Best Health Care Application" awarded to their Secure Tele-Diagnosis solution. This solution developed with France telecom and TMT-Telemedecine, is a complete package to perform an electrocardiogram on a patient at home or anywhere else, transfer data to a medical remote server after a strong authentication based on the CPS professional Smart Card, and request a diagnosis from a specialist. Professionals use their CPS card with the Xi-Sign TMT to remotely authenticate themselves. It is currently in use in France with already deployed CPS cards.

Their second award for their Xi-Ware IP which won "Best e-Transactions Application". Xi-Ware IP is a comprehensive architecture enabling Smart Card based transaction systems to benefit from Internet technologies, thus enhancing performances and reducing operating costs. It is based on the 'thin client' concept, as an alternative to 'fat terminals' looking more and more like PC and being less and less competitive than lightweight, dedicated IP terminals. This product addresses all Smart Card Schemes that need a simple easy-to-deploy public infrastructure to create card Service Points in public areas.





Xiring's final award was for "Best Loyalty Application for their Xi-LoCEx - Loyalty Card Extension. Xi-LoCEx is an extension to a loyalty Smart Card. It provides a human interface to check the content of a loyalty card (cash bonus, coupons, loyalty points...) on a display and to type in or modify personal data.



The form factor is a pocket card reader with a keyboard and a display. When the user inserts his card, the Xi-LoCEx follows instructions coming from the card to display information or requests input from the user. Xi-LoCEx is like a mobile phone, without the GSM communication capability. "We are proud of those three awards. They recognise the work of the Xiring team and its ability to create new products using Smart Card technology. Xiring concentrates its innovations effort to satisfy customer need. These three award winning products are in direct response to what the market is asking", commented Laurent Maitre, Marketing Manager at Xiring.



Gemplus won the "Best Identification Application" award for their Smart Server Platform .Net. The smart .NET-based platform is a prototype providing a compact but compliant implementation of the ISO/ECMA-335 standard which characterises the .NET environment. The platform provides a compliant implementation of the .NET specification for trusted devices such as USB dongles or Smart Cards. This software makes the development and deployment of software for secure devices as easy as any .NET desktop application with the same language, tools and behavior. It embeds standard Internet protocols so that applications can directly communicate as a peer with any networked service.

Jacques Seneca, Executive Vice President, ID and Security, Gemplus explains "It is our permanent aim to make the deployment of Smart Card applications easier for developers and users. What we are presenting is a major step forward in helping governments, enterprises, businesses and consumers to benefit from the security of Smart Cards without the complexity".

Oberthur Card Systems achieved two awards, the first of which was for "Best Mobile Application" for their GiGantIC Card. GiGantIC, designed with M-Systems and with the cooperation of Orange, is the world's first Universal Subscriber Identification Module (USIM) card, combining up to 256MB of secure, high-capacity Flash memory and a high speed protocol. GiGantIC's secure large flash memory enables operators to offer considerably more revenue-generating services, with advanced crypto functionality for digital content protection - allowing storage and secured access to MP3 files (several albums), Java games, video clips, pictures and personal settings.



Oberthur's second award came in conjunction with it alongside Barclays bank and BskyB on the development of the SkyCard Mastercard. This joint product won the "Best Banking/Finance/retail Application award. Another world's first, the SkyCard is a Mastercard credit card which is fully integrated with interactive television, allowing secure payment and account management directly from the comfort of your own home via Sky's set top box. The partnership between Barclaycard and Oberthur Card Systems provides the secure technology platform to enable this evolutionary step.

The last award went to Mastercard International for their TaiwanMoney Card/MasterCard OneSMART Paypass Combi Card. This hybrid combination card won "Best Transport Application". MasterCard's aim was to achieve a single card (with a single balance) for both retail & transport contactless payments. Their approach is to extend open retail payments into transport (rather than trying to expand a closed transport card scheme into retail payments). MasterCard has now released the TaiwanMoney Card (featuring OneSmart MasterCard PayPass) in South Taiwan.



The SESAMES Award winners were chosen by a jury made up of international experts in the markets concerned and the ceremony was a complete success.





An Overview of Cartes 2005

by Patsy Everett, Managing Director, Smart Card News



Patsy Everett

This year was the 20th Anniversary for this important European event, even the threat of riots on the streets of Paris did not deter numbers from attending the exhibition and conference. The exhibition hall was just as glamorous with all the major players in attendance with a number of new comers but even with such successful shows as Cartes at this exhibition centre there are still poor facilities for visitors when it comes to checking your cloaks and luggage, or finding decent food with seating.

Health & Safety would have a field day identifying trip hazards on stairs as visitors took well deserved breaks from the heat on the staircases, let alone pad-locked doors on the main concourse. Don't even consider attending a function at this venue if you suffer any physical disability as there is no way you can negotiate the many stairs.



Electronic Passports were very much in evidence as was Biometric's and NFC. What came across was not new products and applications but the refining of them. There was a lot of pre-paid debit products or as David Everett would say, electronic purse by another name.

The Sesames Awards took place, but these seem to be of less importance these days as the same companies seem to be picking up the awards, those being Axalto, Gemplus, MasterCard, Oberthur and Xiring. Are we to assume that there are no innovative or new products being produced by young, hungry companies? Instead of going through the press announcements at the show as these have been covered in Smart Card News' daily electronic news service, I thought it might be useful to briefly mention some of the new product releases.



ACG have released a MultiTag RFID contactless reader which offer's multi-frequency capability and supports two frequency bands 125kHz, 134.2kHz also a contactless short range read/write device supporting the MIFARE family and major RFID standards. **Alios** of Italy have produced identity cards to prevent counterfeiting by electronically authenticating products. **Aspects Software** launched Smartstation3 a hardware platform. Combined with 3G/GSM test tool modules it provides a powerful test and debug environment for (U)SIM cards and handsets.



ATMEL Corp. introduced their new AT90SC6404RFT secure microcontroller designed to CC EAL4+ compliant with ISO-14443. **Baltech AG** introduced their ID-engine PAD reader, an ultra flat desktop read/write device for e-passport, ticketing, e-purse and logical access. **Barnes International** launched MAG-TESTER REVO a magnetic stripe analyser which tests magnetic stripes and carriers. **Beijing Watchdata System Co. Ltd.**, have a personal data organiser called ido with combined SIM card reader and flash memory.

BDS Smartcard Systems showed their latest release of DUET's Multifunction Platform offering up to 8 different products on one card including funds transfer. **Bielomatik** demonstrated their new Transponder Ticket and label Laminating machine (TTL-100) and their iLam e-passport product for manufacturing electronic passport covers and data pages containing RFID chips and antennae. **Coan Co. Limited** launched RF LCD Keychain/Tag which is solar powered and their RF Metal KeyChain Tag/Card with a transportation chip inside for use as a gate or door lock control, on buses and subway.

Cogesys was running contactless Smart Card training sessions using a simulator to make didactics tutorials. **Datacard Group** announced the availability of a rapid laser engraving module for the MPR5000 system and the SP75 card printer which offers two-sided, full colour or monochrome printing.





Digi International introduced Digi Connect WAN GSM which offers Ethernet-to-wireless IP connectivity to remote sites and devices via GSM. They also launched Digi Connect Wi-SP 802.11b a wireless LAN device server featuring WPA2 and 802.11i security. **Feig Electronic** launched their new ePassport Reader ID CPR.04 which addresses the ICAO standards. It supports ISO 14443-A/B tags with a data transfer of up to 848 kBit per second.

Freeman Co. has a new Magnetic Tape Layer which conforms to Visa's requirement for Holomagnetics and can handle roll to roll and roll to sheet applications in one machine. **Gemplus** has a new platform, Smart .NET for secure devices. The prototype makes smart device software development and deployment easy. It embeds standard Internet protocols so that applications can communicate as a peer with any networked service.

Hismartech has a new EMV payment product called RF EMV Payment that removes the need to swipe or insert a Smart Card. The payment is made by RF. **Ingenico** has a new terminal for the hotel and restaurant business called the i7816 and uses Wi-Fi technology.



Innova Card have developed the USIP Essential Kit to allow engineers to develop terminals. **Inseal Contactless** have a development kit to aid the development of contactless or dual applications. **Inside Contactless** have created a new 16-bit RISC architecture for its microcontroller called MicroPass. **Intellect** introduced PACO 210 PIN Pad, a new variant on their 210 range. **Kasys** displayed their full range of tools to perform end-to-end testing of EMV and CCD compliant systems.

Marx Data Security GmbH launched CrypToken USB offering MULTOS, PKCS11 and Microsoft CAPI. **Micropross** were demonstrating MO300 TCL1, a contactless Smart Card tester. **Muhlbauer AG** were displaying their CLP54 desktop card personalisation system of Smart Cards with a closed system. **Oberthur** have launched their GIGAntIC 256 MB Flash memory 3G SIM card with a 1024-bit RSA co-processor. **Orga** launched and showcased their new 3G USIM portfolio.



Safe ID Solutions have developed the MS 100 to securely print passports at remote registration centres or embassies. **Sogedex** were demonstrating their Veripass device which identifies and biometrically authenticates a badge holder. **Sokymat SA** displayed their ID bands with portable transponders, which operate at frequencies of 125kHz and 14.5MHz.

Storm-Inertace have a Universal Device Removal Switch (UDRS) which detects if a device has been removed from a payment terminal, so securing the keypad and card reader from unauthorised removal. **Tag Systems SA** launched their textured cards so we can have cards that look like velvet, have stone effects or look like jean material. **UPEK Inc.** demonstrated their Protector Suite Token software which biometrically protects data and networks for users of portable devices.

Xiring showed off their Xi-Sign 4500 terminal which provides authentication and transaction signing of EMV cards for the visually impaired by providing a "One Time Password" audibly read to the user by a voice restitution system. The keyboard has large keys, each with a different form for easy recognition.



This is a very brief overview of the many products at the show. Smart Card News will provide a more indepth industry analysis of Cartes next month.

Should any readers require any further information you can contact me at patsy.everett@smart-cardgroup.com.

