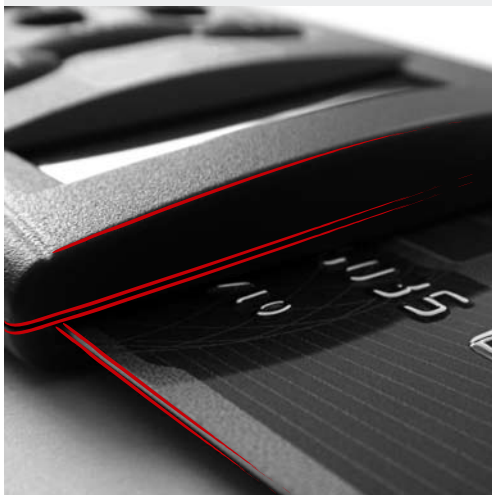


Case Study



Infusing Tradition with Innovation

NOMOS-BANK widens its spectrum of 24 hour banking services with TranzWare

The client

NOMOS-BANK was founded in 1993 and ranks in the TOP 20 largest Russian banks in terms of equity capital. The Bank also boasts top ranking as one of the most active and advancing commercial banks in Russia. NOMOS-BANK's development strategy has always been the provision of corporate banking services. As part of this strategy, the Bank also applied its expertise to salary card projects implemented together with corporate clients. As one of the earliest card projects in Russia, salary cards were proven to be an affordable and convenient banking solution for a Bank's corporate clients to offer their employees.

The need for change

Initially NOMOS-BANK used local cards for the salary projects. In 2001, due to considerable market demand for international cards, the need to migrate the card base to cards under the VISA and MasterCard brands became apparent. To support this change the Bank decided to create its own in-house processing centre built on the TranzWare product platform. Soon after establishing its processing centre NOMOS-BANK, having dynamically increased its card base, obtained Principle Member status in both payment systems.

As the retail banking market grew more lucrative and customers - more educated and demanding, NOMOS-BANK proposed additional banking services to the employees of its corporate clients, the first of which were savings accounts. Savings accounts widened the spectrum of services the Bank had to offer its cardholders, who could now easily and conveniently transfer part of their wages into a designated account within the very same bank but with higher interest. The difficulty lay in the fact that up until now NOMOS-BANK's branch network was too small to provide personal banking services. Furthermore, experience shows that as a matter of convenience, cardholders do not like to waste time visiting branches in order to perform savings account transactions.

Finding innovative solutions

NOMOS-BANK found an original solution to the problem by allowing customers to use the same ATM that they had become accustomed to withdrawing cash from to perform savings account operations with. Upon NOMOS-BANK's request in 2002, Compass Plus developed a fixed deposit financial scheme in its TranzWare CMS back-office system which automated the accounting of personal deposit accounts. The solid integration of TranzWare CMS with the processing system of TranzWare Online made it possible to implement managing of deposits in ATMs.

In view of certain conditions in Russian banking legislation in order to open a deposit account it is necessary for bank customers to go to their bank at least once in order to sign a savings contract. In the NOMOS-BANK case the more favoured scheme was to offer customers such savings contracts when issued with their salary card.

Upon being issued with a card, the customer's fixed deposit contract was set up in TranzWare CMS. Information on the contract was accessible from within the processing system and was therefore, observable within the ATM. The next time a customer with a signed fixed deposit contract were to withdraw money from the ATM they would note an additional section on screen titled, 'Banking operations'. Within 'Banking operations' a cardholder would now be able to transfer money from their card account into one or more of their newly opened deposit accounts.



www.nomos-bank.com

Client:

NOMOS-BANK

Goals:

- To switch to the issuance and servicing of cards in the International Payment systems of VISA and MasterCard on the basis of an in-house processing centre;
- To provide personal account customers with access to a wide spectrum of banking services whilst ensuring minimum expenditure for the expansion of the branch network;
- To use a retail card system and constantly expand the product range for personal banking customers.

Implementation:

- The financial scheme mechanism in TranzWare CMS enabled creation of the necessary product range and allowed to perform all the required accounting procedures;
- ATM network with widened functionality and Internet Bank replaced the need for extending the branch network for provision of retail banking services;
- Dynamic Passcode Authentication and Chip Authentication Program secured Internet banking transactions.

Results:

- Convenient access to banking services at a familiar ATM increased the number of banking products available per customer;
- 24/7 customer service generated an additional competitive edge;
- Quick growth of retail banking network without major fixed costs;
- A great majority of personal deposits and all credits managed by TranzWare CMS and controlled by a plastic card;
- The Bank can quickly modify the product range to follow market demands;
- Internet Bank provides not only information services but also enabled secure payment and funds transfer operations.

CASE STUDY AT A GLANCE

As the customer performs the operation the processing system instantly carries out account balance changes and end-of-day interest calculations and account postings are performed in back-office. In precisely the same manner, the customer is permitted (in accordance with their savings contract) to carry out the same operations in reverse – transfer funds from the deposit account to the card account for instant cash withdrawal or to use the money in the future for payment of goods and services via POS terminals. Furthermore, as the ATM receives information about the debited, credited and interest amounts from the processing system “updated” by the back-office system in online mode, the ATM allows the customer to request a statement at any moment for both the card account and the savings account.

Uncovering further possibilities

The financial scheme developed made it possible for NOMOS-BANK business technologists to arrange different types of savings accounts:

- Instant access savings;
- Fixed deposit with various interest calculation periods;
- Deposits with interest capitalization as well as their addition to the card account;
- Deposits where the interest rate is dependent on the sum of the deposit.

Maintaining momentum

Remote banking proved to be very popular among customers and as a result the growing majority of NOMOS-BANK savings accounts were found in the TranzWare CMS system. Further developments in remote banking services led to the launch of the Internet Bank based on TranzWare eBank - a module of the TranzWare Online processing system. This system allowed NOMOS-BANK customers to review account information online. NOMOS-BANK also planned to expand upon the system’s functionalities which would allow customers to make payments and funds transfers through the Internet Bank. The plans were delayed on account of the Bank’s concerns over their customer’s ability to securely perform such banking operations.

In 2004 NOMOS-BANK started mass market consumer crediting with issuing overdrafts to salary card customers. Overdraft limits were based on the average salary and, on one hand, facilitated credit risk minimization, and on the other, allowed customers to instantly borrow the money and then repay it with the next salary. When the salary was received it was automatically used to repay the credit and accumulated interest. Overdraft credits are also enabled and managed by TranzWare CMS, and therefore customers can always access information on overdrafts via the Internet banking facility or ATMs.

As the Russian market developed, banks began offering consumer credits to their personal banking customers. These credits had a fixed term and strictly defined repayment schedule. *“In this period a rather considerable percentage of potential NOMOS-BANK credit customers were existing NOMOS-BANK customers, those who had salary cards”,* remembers Alexandr Bazanov, Deputy Director of the Customer Service Department. *“Therefore, it was obvious that repaying credits via ATMs by means of transferring funds from card account to credit repayment account was the most convenient way. Thus, the traditional ATM was turning into an automated mini-branch of the Bank. When ATMs with the cash-in function appeared on the market it allowed us to offer self-service to those customers without the NOMOS-BANK salary cards. When setting up a credit these customers receive a bank card that allows them to use ATMs with the cash-in function and so deposit money into their card accounts and repay credits”.*

NOMOS-BANK also utilises the Compass Plus developed consumer crediting scheme for the provision of car loans and mortgages. The scheme allows the Bank to issue credits with both a regular repayment option and an annuity payment option. Credit repayment can be initiated by the customer who pays into his credit repayment account as well as automatically by TranzWare CMS whereby the amount is debited directly from any customer-specified account.

Embracing the future

In January 2007 NOMOS-BANK completed EMV certification in both VISA and MasterCard and embarked upon replacing its magnetic stripe cards with EMV chip cards. Migration to EMV cards allowed the Bank to minimise fraud costs, providing customers with a new level of service, part of NOMOS-BANK’s strategic decision to deliver its customers a wide spectrum of remotely accessible banking services. In April 2007, with the support of Compass Plus, NOMOS-BANK became the first bank



in the CEMEA region to implement Dynamic Passcode Authentication (DPA VISA) and Chip Authentication Program (CAP MasterCard) technology. This technology allows NOMOS-BANK EMV cardholders to perform secure banking operations (including payments and transfers) at the Internet Bank by using a crypto-calculator without compromising their PIN. The service, at this stage unique to Russia, was named NOMOS-Link and is considered very convenient for bank customers. During the NOMOS-Link service presentation, Andrei Chirkov, Compass Plus Commercial Director, said:

“Hectic work schedules, frequent business trips and regular traffic jams considerably impede customers visiting bank branches. However, 80% of my working hours are spent in front of the computer connected to the Internet, and the possibility of managing my accounts and making payments online significantly simplifies my life. I am sure that NOMOS-Link will be in high demand and will allow the Bank to widen its customer base as the customer will only have to visit the branch once and its proximity to the customer’s work place or home does not play a vital role in choosing the Bank”.

Reviewing the results of the Bank’s collaboration with Compass Plus, Director of Retail Banking Business Department at NOMOS-BANK, Alexandr Tyantov stated: *“Comprehensive solutions based on TranzWare products enabled the Bank to link a broad range of banking services to plastic cards and allowed us to provide our customers with round-the-clock access to these products via various self-service channels. Considering our positive six year experience using Compass Plus’ turnkey solutions and implementing joint projects, NOMOS-BANK intend to continue using TranzWare systems for the development of our retail business.”*

TranzWare Card Management System

A feature-rich comprehensive banking solution providing efficient operation and management of back office activities. TranzWare CMS is flexible enough to facilitate the development of a multitude of financial products, thereby delivering a financial institution distinctiveness, competitive advantage and customer satisfaction.

TranzWare Online

A high-performance, scalable, multi-card processing solution providing efficient electronic funds transfer, inter-network switching and handling of an unlimited number of devices and delivery channels. In addition to standard features, TranzWare Online is equipped with innovative and rare functionalities such as algorithmic function (TranzWare Online Algorithmix) and remote access to processing center facilities (TranzWare Online FIMI).

TranzWare eBank

A sophisticated Internet banking solution enabling a comprehensive, highly secure, feature-rich service and offering financial institutions great benefits of using the Internet as a financial services delivery channel.

TranzWare Card Factory

An advanced EMV-compatible card personalisation and issuing product enabling timely and cost-effective response to market demands. TranzWare Card Factory supports personalization of any card type and can be fully customised to suit specific requirements of any financial institution

TranzWare Interchange

A robust interchange system capable of collecting, converting, organising, storing, routing, clearing and settling information in a payment environment of any complexity. TranzWare Interchange was also specifically designed to effectively function in an environment of any composition and is equipped with flexible apparatus to describe the business rules of payment system member interactions. In addition, the system bears other features such as currency conversion, delayed payments, risk control, commission calculation, settling disputes, etc.

PRODUCTS

About Compass Plus

Compass Plus provides refined state-of-the-art products and flexible business solutions that drive all-scale multi-component EFT systems employed in the financial and retail industries, mobile and electronic commerce, interactive self-service business and in other trade areas that engage in electronic payments. Our in-house developed superior EFT solution – TranzWare™ – incorporates a comprehensive range of integrated customisable products and is fit to suit an array of customer needs. TranzWare™ solutions are capable of reducing clients' total cost of ownership, improving ROI, increasing efficiency and delivering great benefits to the end customers.

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