

From Expo to Expo: A Year of Industry Achievement

Anil D. Aggarwal, CEO of TxCore and founder and chairman of the Network Branded Prepaid Card Association (NBPCA), provided the introductory remarks at the 2008 Prepaid Card Expo on March 4. He discussed the tremendous progress the industry has made since the last Expo and highlighted the top 10 areas of achievement. The following is an excerpt of his remarks.

It is my privilege to have been asked to make opening remarks to such an amazing group that includes more than 2,000 people who are the foundation of an entire industry—the fastest growing and most exciting segment of card-based payments.

It's hard to believe that it's been a year since we all met here in Las Vegas for the 2007 Expo. Time really does fly when you're having fun. And judging from the many successes you've created over the past 12 months, you're having a lot of fun!

You've continued in the spirit of the past decade of prepaid and stored value: It's been yet another year of innovation, pioneering and many exciting firsts.

In my opening remarks last year, I announced the launch of Paybefore, now the leading trade publication for the prepaid and stored value card industry. At the time, I wondered whether there would be enough news to publish each and every day. I needn't have been worried.



Anil D. Aggarwal addresses 2008 Expo attendees.

In preparing to address you today, I looked back over the past year of Paybefore to see what's been happening. And, while no news may be good news in many industries, lots of news is great news in our industry. Big picture: One thing is very clear, you're continuing to revolutionize electronic payments. Perhaps what's not so evident from the trenches every day is that in the process, you're improving the lives of millions of people around the world. That's something to be proud of.

So what did happen this past year? What have you been up to? Let me give you my top 10:

- 1. Structural shifts.** You've made a substantial shift in the structures of your organizations—with some public firms going private and some private firms going public, as some of the major networks and processors have reorganized. What does this mean for the coming years? I believe we're likely to see increased

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innovation and competition in our industry, the launch of new products and services, and businesses expanding into new geographic regions. And, in the process, we'll see a changed landscape for all forms of payment, including prepaid.

2. Growth. Within prepaid, a number of staple prepaid card products have sustained steep growth curves. Retail gift cards continued to be very successfully commercialized as products in their own right—both through the growth of third-party distribution channels as well as in business-to-business applications.

At the other end of the prepaid product spectrum, some of the largest issuers, retailers and distributors launched and expanded their sales and marketing efforts for general purpose reloadable cards, continuing to utilize traditional and non-traditional financial services channels. And, payroll, health care, incentive, rebate and other prepaid cards also continued to gain traction.

In addition, some programs broke new ground, most notably in the government sector. While many states already have adopted network branded prepaid cards for a variety of benefits programs, including child support and workers compensation, the prepaid card industry has been eager to have the federal government follow suit with a large-scale program. The past year saw the announcement of the first nationwide federal benefits program to be delivered via prepaid cards—the distribution of Social Security and Supplemental Security Income payments. Designed to better meet the needs of unbanked benefits recipients, the potential savings and

other advantages are staggering for both government and recipients.

3. Reincarnation. There's also been some plastic surgery in the industry. A few prepaid cards got facelifts during the past year and, as a result, have a second or third chance at the big time.

Insurance claim cards may have helped launch the network branded prepaid card movement, but their adoption stagnated in the early years compared to the fortunes of other categories of prepaid cards. Recently, however, there have been indications that the market may be shifting toward the resurgence of claim cards to the benefit of insurers, consumers and other key stakeholders in the payments value chain.

Teen cards are seeing similar promise with new marketing partnerships and corporate channels announced in recent months giving renewed life to a product that intuitively makes a lot of sense.

4. Innovation. Reporting on the latest trends, some new, exciting and innovative products and services were introduced this year. A number of companies added credit components to their prepaid cards, completing the overall prepaid offering and increasing the value of the cards to consumers; helping cardholders get money when they need it—in a way that's responsive—not exploitative and, in the process, improving customer acquisition as well as existing cardholder relationships.

A host of innovations were announced around integrated pictures, sound and video—providing a multimedia range of card and

packaging customization options for companies and consumers.

In addition, prepaid card program managers and issuers continued their efforts to integrate prepaid with mobile phones. Concurrently, new mobile technology and commerce companies turned to prepaid cards to capture customers. From providing balance alerts to increasing cardholder retention and reducing customer service costs, mobile phones combined with prepaid cards hold the promise for unmatched convenience.

Finally, as card providers look for more convenient ways for consumers to obtain and reload cards, we saw tremendous activity in self-service, centered on kiosks and ATMs, offering accessible, affordable and easy-to-use prepaid card issuance and reloadability.

5. Investment. Over the years, hundreds of millions of dollars have been invested in prepaid and stored value. The good news is, the past year was no exception. Sizeable investments were announced in a broad range of companies with high hopes for the unique value propositions they bring to the marketplace.

The even better news is that past investments realized significant returns this year, proving again that prepaid remains the right bet.

The M&A market was strong, balancing proven growth and traction with significant unfulfilled opportunity. This year saw a wave of sizeable acquisitions that included the first purchase of a prepaid card specialty issuing bank. M&A

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activity also extended to Europe, where acquirers recognized the growth opportunity for prepaid as well as its potential to transform their traditional businesses.

6. Industry cooperation.

During the past 12 months, we continued to coalesce as an industry. On the nonprofit trade group front, the NBPCA is now nearing the very successful completion of its second membership year. I announced the formation of the NBPCA two years ago at the 2006 Prepaid Card Expo in Orlando, Fla. Today, the NBPCA is more than 35 members strong with a membership and board that's as diverse as our industry's products and services. The NBPCA's ability to move from start-up to a collective voice for the industry and a focal point for media and government is directly attributable to the commitment of the membership to work cooperatively, the leadership of the board and the dedication of the NBPCA team.

Several weeks ago, we saw one of the most significant accomplishments yet from the NBPCA—the first collective initiative on anti-money laundering in the form of recommended practices to support compliance by U.S. issuers. This document—available to all at www.nbpcacom.com and www.paybefore.com—establishes

a baseline of appropriate practices and procedures to address AML, one of the most significant issues that faces the industry.

7. Government relations.

In government relation news, many of you helped facilitate clarity and positive change. This includes an overwhelming body of judicial decisions that has supported federal preemption of state laws under certain circumstances, clarifying questions about the right of federally chartered financial institutions—even when acting through agents—to assess fees on gift cards and maintain expiration dates. In addition, today there is a generally more favorable legislative environment in the states for prepaid cards. Although a significant number of bills covering prepaid cards—most notably gift cards—became law, many provided specific exemptions for network branded cards. And, there has been increased recognition in certain sectors of government and law enforcement of how prepaid products actually work and the efforts of responsible members of the prepaid community to conform to the standards set by law and regulation.

8. World news.

Around the world, we've seen the emergence of new players in new regions—Europe, Asia, Latin America and Africa—

transforming cash economies by building real electronic payments businesses from the ground up, in many cases focused around prepaid.

9. People.

There were lots of people on the move over the past 12 months, with many choosing to stay within the prepaid card industry. And, as businesses evolved to the next level, many new leaders continued to emerge.

10. Mark your calendar.

Last and by no means least, I have some late-breaking news: Mark your calendars for the 2009 Prepaid Card Expo—March 9-11 in Orlando, Fla. And while what happens in Vegas might stay in Vegas, feel free to bring your families to Disney World.

On a serious note, we all know that prepaid and stored value cards are frequently a better option than credit, debit, checks and, of course, cash, in myriad situations for a cross-section of end-users—from those at the margins of the financial mainstream, to travelers, to teens, to busy moms, to you and me.

You name the group and there is a prepaid card that fits a need that traditional payment products simply don't, saving consumers time and money and making it safe and secure to carry funds, providing choices and empowering consumers with products that best suit their needs. 