

RESEARCH ON CARD USE
(2008 – First half of 2011)

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FOREWORD

Bank of Mongolia half yearly releases the research on “Payment card use” to define the numerical index of payment card use and its change.

Under the Appendix of Regulation on “Payment card” approved by the Decree No. 440 on August 6th of 2009, the research involves 2009 - first half of 2011 statistical indices of 9 banks with card services.

The research has following four parts:

- I.** Payment card market in Mongolia
- II.** Payment card index by banks
- III.** Other transactions relating the payment card
- IV.** Summary

I. PAYMENT CARD MARKET IN MONGOLIA

1.1. Number of cardholders and active users

The 2010 transmission to card switch system enabled every Mongolian to use the ‘Single card - Central network’ service. As of the first half of 2011, total of 9 banks 24/7 offer the ‘Single card - Central network’ service via their 410 ATM machines, 4956 POS and 2076 POB terminals.

Totally 2.2 million cardholders made 20.2 million transactions for the amount of MNT 1.6 trillion in the first half of 2011. This high index shows how banking and financial services are becoming more simple, reliable and efficient and how non-cash payments are widely used in the daily operations.

See the comparison of number of cardholders in 2011 to the prior years in below table.

Table No.1 Number of cardholders and active users

	Cardholders			Card active users*		
	2009 - 1 st half	2010 - 1 st half	2011 - 1 st half	2009 - 1 st half	2010 - 1 st half	2011 - 1 st half
Number	1 446 774	1 835 375	2 162 457	801 842	459 894	474 205
Increase, decrease +, -	-	388 601	327 082	-	- 341 948	14 311
%	-	27	18	-	-43	4.4

* Card active users are the users use their cards more than 5 times in a month.

Table No.1 shows that the number of cardholders was increased yoy by 388.6 thousand or 27% in 2010 - 1st half and 327.1 thousand or 18% in 2011 - 1st half. Also the number of active users was decreased to 341.9 thousand or 43% yoy in 2010 - 1st half and increased to 14.3 thousand or 4.4% in 2011 - 1st half. Even the number of cardholders has been climbing up in last two years; the number of active users was dropped down in 2010 and grown up in 2011.

1.2 Number and amount of POS, POB and ATM transactions

See the transaction numbers and amounts via POS, POB and ATM devices in period of 2009 to the 1st half of 2011 in Table No.2.

Table No.2 shows that the total transaction amount of POS, POB and ATM in 2011 - 1st half was higher by 61.1% than 2009 - 1st half and by 73.9% than 2010 - 1st half while the transaction number was increased by 56.9% from 2009 - 1st half and 69.7% in 2010 - 1st half.

Table No.2 Number and amount of POS, POB and ATM payments

(amount in billion MNT, number in millions)

№	Device	Transaction info	Transactions				
			2009 - 1 st half	2010 - 1 st half	2011 - 1 st half	Growth by % 2009/2011	Growth by % 2010/2011
1	POS terminal	Amount	49.1	95.6	175.7	257.8	84.2
		Number	0.7	1.1	2.5	257.1	127.3
2	POB terminal	Amount	221.1	170.4	273.9	23.3	60.7
		Number	1.5	1.0	1.2	-20.0	20.0
3	ATM machine	Amount	339.5	635.1	1 117.0	229.0	75.9
		Number	6.5	9.8	16.5	153.8	68.4
TOTAL		Amount	609.7	900.9	1 566.6	156.9	73.9
		Number	8.7	11.9	20.2	132.2	69.7

As seeing by devices, the amount of transactions by POS terminal in 2011- 1st half is increased by 257.8% from 2009 - 1st half and 84.2% from 2010 - 1st half and the transaction number was increased by 257.1% from 2009 - 1st half and 127.3% from 2010 - 1st half.

The total amount of POB payments in 2011 - 1st half was higher than 2009 - 1st half by 23.3% and 2010 - 1st half by 60.7% as well as the transaction number was decreased by 20% from 2009 - 1st half and increased by 20% in 2010 - 1st half.

The total amount of ATM payments in 2011 - 1st half was increased by 229% in 2009 - 1st half and 75.9% in 2010 - 1st half. Also, the transaction number increased by 156.9% in 2009 - 1st half and 68.4% in 2010 - 1st half.

1.3 Card use in local areas

Banks are offering payment card services in 21 provinces. Table No.3 shows the numbers of cardholders, active users and devices in local areas and their rates in nationwide.

Seeing the Table No.3, the number of local cardholders was 24.9% of the total and the number of active users was 18.8% of the total active users.

Table No.3 Number of cardholders, active users and devices in local areas
(2011 - 1st half)

(in pieces)

Index	Number of cardholders	Number of active users	Number of devices		
			POS terminal	POB terminal	ATM machines
Local area	539 959	89 276	924	1263	116
Ulaanbaatar	1 622 498	348 931	4032	813	294
Nationwide	2 162 457	474 205	4 956	2 076	410
<i>Rate of local area in nationwide</i>	<i>24.9</i>	<i>18.8</i>	<i>18.6</i>	<i>60.8</i>	<i>28.3</i>

About the number of devices in local area, POS terminal was 18.6%, POB terminal was 60.8% and ATM machine was 28.3% of the total nationwide index.

Table No.4 Number and amount of the POS, POB and ATM payments in local area
(2011 - 1st half)

(amount in billion MNT, number in thousands)

Index	POS terminal		POB terminal		ATM machines		TOTAL	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Local area	28	283.6	62.3	531.3	224.1	3 383.8	314.4	4 198.7
Ulaanbaatar	144.7	2 145.8	211.6	659	892.9	12 868.7	1168.6	96 495.0
Nationwide	175.7	2 429.8	273.9	1 190.3	1 117	16 525.5	1 566.6	20 209.6
<i>Rate of local area in nationwide (%)</i>	<i>15.9</i>	<i>11.4</i>	<i>22.7</i>	<i>44.6</i>	<i>21.6</i>	<i>21</i>	<i>20.1</i>	<i>20.8</i>

Comparing the number and amount of POS, POB and ATM payments in local area to the nationwide index, the transaction amount of POS was 15.9%, POB was 22.7% and ATM was 21.6% and the transaction number of POS was 11.4%, POB was 44.6 of and ATM was 21%.

1.4 Online transactions

The online transaction using payment card is introduced to Mongolia in a time with the possibility to use technological advancement in non cash payment and settlement system.

According to the Article 3.4.2 of the regulation on “Payment card”, the financial and non financial online transaction by payment card should be considered as the complimentary transaction.

Table No.5 Online transactions

(amount in million MNT, number in thousands)

Online transactions	2010 - 1 st half	2011 - 1 st half	Change	
			+, -	(%)
Transaction amount	7860.46	12 693.0	4 832.5	61.5
Transaction number	58.9	87.1	28.2	47.9

In the first half of 2011, there were increases of MNT 4.8 billion or 61.5% in transaction amount and 28.2 thousand pieces or 47.9% in transaction number of online transaction.

Table No.6 Fraud transaction

(in million MNT)

2011 - 1 st half year					
Name of payment card system	Fraud way	Transaction type	Transaction device	Amount	Number
Visa, Master	Double charge Lost card	Non cash	ATM	38.7	65
			POS	1.2	11
			Imprinter	34.1	74
TOTAL				74.0	150

Total of 65 fraud transactions with the amount of MNT 38.7 million in ATM machines, 11 fraud transactions with the amount of MNT 1.2 million in POS terminals and 74 fraud transactions with the amount of MNT 34.1 million in Imprinter by using the fraud ways of double charge and lost card.

Total of 150 fraud transactions with the amount of MNT 74 million was in the first half of 2011.

Table No.7 Number of organizations with the possibilities of card services

2011 - 1 st half year	Ulaanbaatar	Provinces	Rate of UB in nation (%)	Rate of provinces in nation (%)	/in geminate number/
	53 627	20 195	73	27	2076
TOTAL	73 822*		100%		2.8%

*Source: National Statistical Office of Mongolia

Total of 73822 organizations have the possibilities to operate card service including the 53627 or 73% in Ulaanbaatar and 20195 or 27% in provinces. But of which only 2076 or 2.8% is the number of organizations with card service presently. This shows that it is possible to add on the number of card serving organizations and widen the credit card usage.

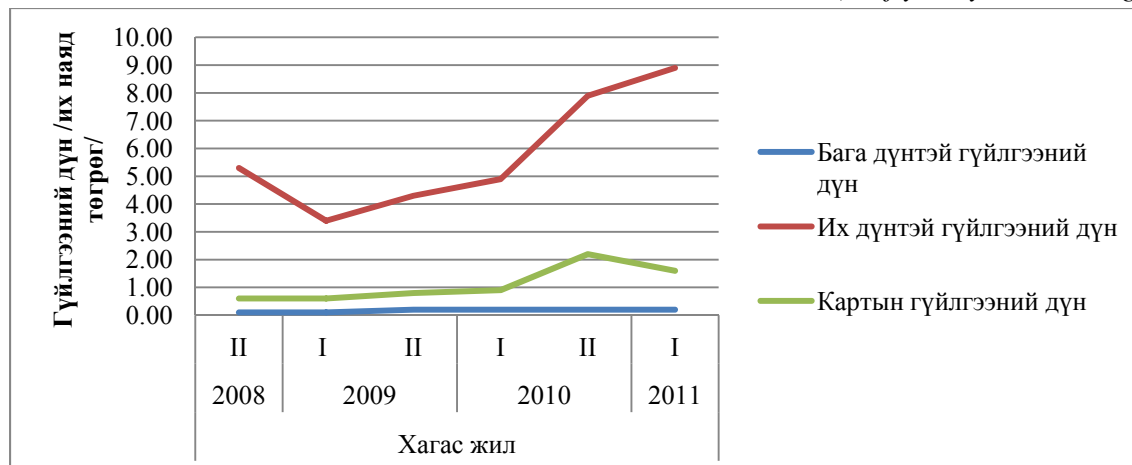
1.5 Some indicators of payment instruments

Payment card, credit transition, debit transition, and check are the common types of non cash payment. In Mongolia, the check cannot be the non cash instrument due to its limited use except for cashing checks in banks.

Pictures No. 1 and 2 show the first halves of 2008 to 2011 indicators of payment card transitions in comparison with the indicators of interbank high and low value of transition.

Picture No.1 High and low value transaction and the amount of card transaction

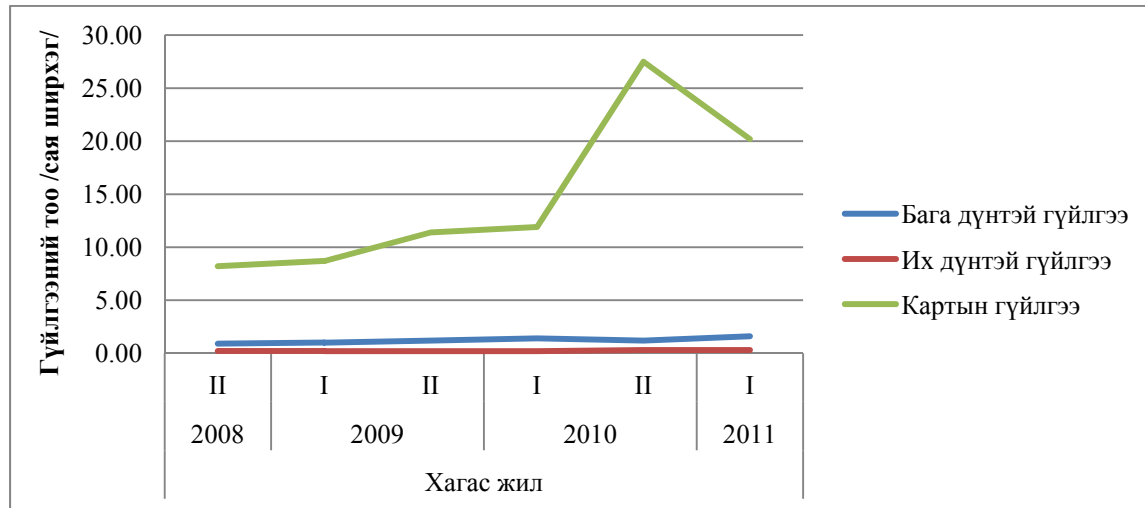
(half yearly, trillion togrogs)



Picture No.1 shows that the amount of card transaction is higher than the interbank low value of transaction by twice between the last half of 2008 - the first half of 2010 and it increases as higher by thrice in the last half year of 2010. The interbank high value of transaction stands on the top among the payment instruments.

Picture No.2 Numbers of high and low value and card transactions

(half yearly, million pieces)



Picture No.2 shows that the amount of card transaction is apparently higher than the amounts of high and low value of transactions.

The card transaction indicator may seem different if compared with the total non cash payment statistics because this research shows only the contrary with the non cash payment of interbank transactions.

However the above two pictures show that the total payment using card service has been increasing and the card has already become the significant instrument of payment system.

SUMMARY

Increase of payment card use can easily be seen from the following summaries of the research.

1. As of the first half of 2011, Mongolia has 2.2 million card holders including the 474.3 thousand active users. The number of card holders increased by 60.1% and the number of active users decreased by 28.4% when comparing to the prior year. This deviation shows the people not using the much the card service even they have granting the MNT 21000 of the Human Development Fund via cards.
2. As of the first half of 2011, there were 2.5 million POS terminal transactions with total amount of MNT 175.7 billion, 1.2 million POB terminal transactions with amounts of MNT 273.9 billion and 16.5 million ATM transactions with amounts of MNT 1.1 trillion. Total transaction via ATM machines is leading by the 71% of whole amount of transactions and 81% of transaction numbers.

YOY the amount of transactions using POS, POB and ATM is increased by 73.9% and the number is by 69.7% and 156.9% and 132.2% since 2009.

Totally 7442 equipments involving 4956 POS, 2076 POB terminal and 410 ATM machines are being used in payment system as of the first half of 2011. The number shows increase of 1785 year over year.

3. The average amount of a unit card transaction is MNT 122.7 thousand. Seeing the average amount of a unit card transaction, the card service is mostly in use of retail trade. By the way, the average amount of a low amount transaction is MNT 155 thousand in the first half of 2011 as the research on interbank non cash payment shows.
4. 24.9% of the card holders, 18.8% of card active users, 18.6% (924) of POS terminals, 60.8% (1263) of POB terminals, and 28.3% (116) of ATM machines are in local areas.

The transactions of 15.9% - POS, 22.7% - PO, 21.6 - ATM in local areas show that the number of transactions via ATM and POB are high in provinces while the POS transaction is low there. It also means that the payment card service is still centralized in Ulaanbaatar.