

The New Age Of Turkey's Payments



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With a new national payment scheme on the horizon, **Turkey may have all the right ingredients** to shake up its current payments market. With a goal to drive innovation at a local level, executives from **BKM** joined **MPD CEO Karen Webster** to discuss why a national payment system is a launch point for greater change.

What do you get when you combine a highly developed card payments market, a mature banking sector, the demographic advantage of a growing younger population, and a transacting environment in which 97 percent of transaction volume happens domestically?

The foundation for Turkey's new domestic payments scheme.

BKM (Interbank Card Center of Turkey) is the force behind the country's upcoming **"Turkey's Payment Method" or TROY**, which will be live in the early part of 2016. The payment scheme is bringing together all of the banks within Turkey under the BKM umbrella, which has provided clearing and settlement services in Turkey for the last 25 years.

As **Dr. Soner Canko, CEO of BKM**, pointed out, nearly 97 percent of all transaction volume generated in Turkey happens domestically, but TROY can be customized to allow banks to choose their own international card scheme partners based on their preferences as well.

“TROY as a domestic scheme doesn’t mean these cards will only be usable only in Turkey. We will give freedom to our member banks that they can easily get connected to support international cross-border commerce via other relationships that we have,” said Canko, noting relationships with Discover, JCB and China UnionPay.

The main goals of the payment scheme itself are to spur independence, cost-effectiveness and innovation, but the solution will also help to bring more competition to Turkey’s payments market.

While TROY itself will be a single brand, Canko emphasized that the solution will open the door to even more brands having the ability to access the Turkish market and increase competition and offerings.

Mobile schemes like Apple Pay and Samsung Pay still face a particular set of challenges when attempting to enter European markets outside of the U.K., but BKM has high hopes that once a significant amount of debit and credit cards are accumulated under TROY, the integrations with other mobile payment methods will eventually happen as well.

Cenk Temiz, EVP of Strategy and Information Management for BKM, explained that with the launch of a national payment scheme the door will be opened to bring even greater innovation to Turkish consumers.

“Innovation is the reason why Turkish cardholders would prefer TROY over the others,” stated Temiz, adding that deploying new payment technologies and methods such as mobile payments, eCommerce payments, contactless and even biometrics will be able to happen much faster via TROY.

Another reason consumers may opt to use the national payment method is that issuers will ensure the products come with offers and rewards to incentivize cardholders to come on board.

“We are also going to decrease costs to issuing banks and they will pass those savings onto the cardholders if they choose TROY,” Canko explained.

The first phase of the TROY launch will include mag-stripe debit cards, but BKM hopes that all mag-stripe debit cards in the country will eventually transition to **EMV** chip and PIN cards.

For the past eight years, Turkey has used chip-enabled credit cards, with an estimated 15 million chip and PIN credit cards in the market today.

Canko said that through TROY, the goal is to bring those same benefits of EMV cards to the debit card segment, noting that the country has seen decreased fraud levels and increased availability and response time rates with chip and PIN.”

Following the first launch phase, the TROY product offerings will expand to include contactless debit and credit payment cards.

“We have focused on the baseline, which is building the domestic brand rules, operations and regulations. Then on top of that we will think about adding newer generations of products such as mobile,” stated Canko, noting that an increased focus on bringing contactless acceptance up at terminals and among consumers is still needed.

BKM envisions that one day in the not so distant future, the national payment scheme will be married to the country’s nationwide digital wallet, but for now the company will continue to focus on the basics and bringing its new domestic payment system to life in 2016.