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Coming to a store near you: UnionPay, the world's biggest bankcard

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(Reuters) - In UnionPay's curved glass headquarters in Shanghai's financial hub of Pudong, a plaque commemorates a visit by former Chinese President Hu Jintao in 2010. Emblazoned on it is a quote from Hu urging the company to "step up the effort to internationalize and strive to build UnionPay into a major global brand for bankcards".

China's renminbi currency is not yet an international currency - it is not freely convertible. Yet China's official bank card has achieved Hu's dream of global dominance.

China UnionPay has become the world's largest card brand with 3.53 billion cards in circulation, just over a decade after it was founded in 2002. Its \$2.5 trillion in transactions in the first half of last year was second to Visa Inc's \$4.6 trillion, [says industry newsletter the Nilson Report](#).

UnionPay has achieved this kind of dominance by having a virtual monopoly on bank card transactions in China, and according to its rivals, offering low fees to retail merchants at home and abroad.

In China, foreign rivals such as American [Express](#), [MasterCard Inc](#) and Visa must use UnionPay's [yuan](#) settlement network.

Credit and debit card settlement is a big, profitable and growing [business](#) in China. Interbank card transactions jumped 37 percent from 2011 to 21.8 trillion [yuan](#) (\$3.58 trillion) in 2012. Central bank regulations also give UnionPay the rights to settlements for all online transactions in China.

UnionPay transactions overseas show equally impressive growth, rising 30 percent year-on-year in 2012, according to the official Xinhua news agency. Overseas revenue now accounts for around 5 percent of UnionPay's total, according to a Hong Kong fund manager briefed by UnionPay executives.

UnionPay, which is not a public company, does not disclose financial results or details.

The United States, home to UnionPay's biggest rivals, has complained long and often about

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its privileged status in China.

In 2012, following complaints by Washington, the World Trade Organization ordered China to stop discriminating against foreign bank card rivals such as Visa and Mastercard, but did not make any specific recommendations.

"A more efficient payment card system in China would be more beneficial for both merchants and consumers," U.S. Trade Representative Ron Kirk said at the time.

China has yet to open the bank card market.

UnionPay regularly waives fees that its rivals charge and is known for having the lowest fees in the market overseas, said the head of bank card operations at a Hong Kong-based bank who deals regularly with UnionPay.

"It seems they're at an expansion phase, so anything goes," said the executive. "They don't mind losing money to gain market share. Visa and Mastercard don't offer anything like that."

"When we asked (UnionPay), 'Are your international operations making a loss?' We were told: We don't look at those numbers," he added.

UnionPay said in a written response to questions about this assertion that its overseas operations were profitable. "UnionPay's international **business** growth momentum remains good, and at the moment, it remains in a profitable state," the company said.

Third-party installers such as EasyLink have helped UnionPay's expansion by installing its terminals in overseas **retail** stores. Merchants are eager for them: Chinese are now the world's largest consumers of luxury goods.

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15-Year Fixed Refi	3.31%	3.34%
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