



Business | Tue Apr 28, 2015 2:54pm EDT

# MasterCard seen stealing a march on Visa as China opens doors

BY AVIK DAS



A logo of Mastercard is seen at the Mastercard Centre in Beijing, October 30, 2014. REUTERS/JASON LEE

(Reuters) - MasterCard Inc's (MA.N) strong association with Chinese bank card behemoth UnionPay is expected to help it reap more benefits than larger rival Visa Inc (V.N) as the country opens up its \$7 trillion bank card payments market to foreign players.

The world's largest debit and credit card issuers have so far been barred from operating independently in the China bank card market - projected to become the world's biggest by 2020.

But that is set to change.

China's State Council said last week foreign firms would be allowed to apply to the central bank for licenses for bank card clearing businesses from June 1.

The measure is set to end a near-monopoly held by UnionPay.

It will take at least a year for foreign card issuers to start operations in China, but investor expectations are high.

Shares of MasterCard and Visa rose 4 percent in the three days following the announcement.

"It's pretty close ... but MasterCard has a little more leeway than Visa because of its existing relationship with China UnionPay," Wedbush Securities analyst Gil Luria told

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Reuters.

The U.S. companies currently use UnionPay's network when accepting yuan payments and have to pay network access fees.

MasterCard and UnionPay signed an agreement in 2010 to issue co-branded cards that Chinese people could use when traveling overseas.

The agreement gives MasterCard a strong headstart, as the company has cornered a large chunk of the co-branded cards market in the past few years. ([reut.rs/1HzMxVQ](http://reut.rs/1HzMxVQ))

Chief Executive Ajay Banga said last year that more than 90 percent of new co-branded card deals issued in China went to MasterCard.

Barclays analyst Darrin Peller estimated that a 1 percent shift in purchase volume from UnionPay would boost MasterCard's earnings per share by 3-6 cents, compared with 2-4 cents for Visa.

"Given that MasterCard is starting off at a smaller base, incremental growth in China may be more impactful to MasterCard's economics than Visa's over the next few years," Peller said.

The opportunities for both MasterCard and Visa are immense.

UnionPay's transaction volumes rose the most last year, according to the Nilson Report, an industry publication. Of every \$100 worth of transactions swiped, UnionPay's cards accounted for \$38, ahead of Visa's \$37 and MasterCard's \$18.

Both Visa and MasterCard said they were awaiting details on how the regulations would be implemented.

(Editing by Saumyadeb Chakrabarty)

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