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Global Payments Newsletter
6 November 2014

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Global Payments Newsletter

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1. REGULATORY DEVELOPMENTS

1.1 Europe: PSD2 Compromise Text.

- The EU Presidency published a further compromise text dated 14 October 2014.
- Key changes include:
 - Changes to authorisation and supervision requirements including the re-introduction of the activity of account information services
 - Changes to conduct of business including a requirement to provide free monthly on-line statements on request and a potential broadening of the circumstances in which strong customer authentication is required.

See the compromise text [here](#).

1.2 Europe: EBF "highly concerned" about PSD2 proposals for payment initiation services.

- The European Banking Federation (EBF) issued a statement dated 15 October 2014, in which it states that it is "highly concerned" that EU member states may consider adopting a new model for payment initiation services that, in its view, poses significant risks to clients' bank accounts.
- The EBF is concerned about the sharing of consumer security credentials with third party payment service providers, as there is a "considerable risk" that cyber criminals will be able to access and use the security credentials.

See the statement [here](#).

1.3 Europe: Regulation on Multilateral Interchange Fees Compromise Text.

- On 15 October 2014, the EU Presidency published a further compromise text for discussion at a Working Party meeting on 17 October.
- Key changes include:
 - Changes to the debit card definition

- Introduction of the concept of a 'universal card'
- Separation of card schemes and processing entities now to take place by 12 months (not six) from entry into force of the Regulation.

See the compromise text [here](#).

1.4 **Europe:** EPC guidance on SEPA B2B Scheme mandate confirmations.

- On 15 October 2014, the European Payments Council (EPC) published guidance (dated 15 September 2014) on Single Euro Payments Area (SEPA) Direct Debit Business to Business (SDD B2B) Scheme mandate confirmations.
- The guidance includes clarification on the following issues:
 - Confirmation of mandate data
 - Unique mandate reference
 - Direct provision of mandate data by creditors
 - Signature from debtor bank.

See the guidance [here](#).

1.5 **Europe:** EBA consults on implementation of guidelines on internet payments security.

- On 20 October 2014, the European Banking Authority (EBA) published a consultation paper on the implementation of draft EBA guidelines on the security of internet payments prior to the transposition of PSD2.
- The guidelines provide a legal basis for the implementation of the European Forum on the Security of Retail Payments (SecuRe Pay forum) recommendations published in January 2013.
- Key changes include:
 - The implementation date is extended by six months to 1 August 2015
 - SecuRe Pay recommendation 6.4 – PSPs must ensure that customers are provided with instructions explaining their responsibilities regarding the secure use of payment services – is now only "best practice" in the EBA guidelines
 - References to payment schemes, Governance Authorities and oversight have not been incorporated into the EBA guidelines.
- Also, on 20 October 2014, the European Central Bank (ECB) published a revised mandate for SecuRe Pay and issued a press release stating that the EBA and the ECB are stepping up their co-operation to increase the security of retail payments.

See the consultation [here](#), and the press release and revised mandate [here](#).

1.6 **United Kingdom:** HM Treasury consults on designation of payment systems for regulation by Payment Systems Regulator (PSR).

- The consultation document published on 14 October 2014, explains the criteria for the designation of payment systems.
- It also sets out those payment systems that HM Treasury believes meets the criteria and proposes to designate and bring within the powers of the PSR.
- Initially, HM Treasury proposes to designate Bacs, CHAPS, Faster Payments, Link, Cheque and Credit, Northern Ireland Clearing, Visa and MasterCard. It does not currently consider that there is significant evidence to meet the criteria for the designation of American Express and PayPal.
- The deadline for responses to the consultation is 11 November 2014.

See the consultation [here](#).

1.7 **United Kingdom:** FCA approach to review of current account switch service and account number portability.

- On 30 September 2014, the FCA published its approach to the review of the current account switching service.
- The review will consider the effectiveness of the service on the basis of:
 - How switching levels have changed over the past 12 months
 - Whether current account customer satisfaction levels have increased
 - Whether current account providers' behaviour has changed.
- In conjunction with the PSR, the FCA will also gather evidence on other options that customers can use to switch accounts, including account number portability.
- The FCA intends to survey retail and small and medium sized enterprise customers to better understand what inhibits customers from switching and the extent to which that continues to relate to the switching process.
- The review will conclude in the first quarter of 2015.

See the report [here](#).

1.8 **United Kingdom:** BIS consultation on collaboration between economic regulators.

- On 6 October 2014, the Department for Business, Innovation and Skills (BIS) published a consultation document on options for embedding joint working between economic regulators.
- Following the establishment of the UK Regulators Network (UKRN), BIS is seeking views on:
 - How closer co-operation between regulators could lead to better outcomes for business, consumers and the economy

- Whether there are currently any barriers that inhibit more effective joint working
- How the Government might best support and encourage the UKRN, and more widely help to embed co-operation between the regulators.
- The FCA and the PSR are members of UKRN.
- BIS invites comments by 1 December 2014.

See the consultation [here](#).

1.9 **United Kingdom:** Project Innovate and launch of the Innovation Hub, FCA feedback statement.

- On 28 October 2014, the FCA published a feedback statement on Project Innovate (FS14/2) following its call for input in July.
- FS14/2 sets out the FCA's response to feedback received and explains the next steps for Project Innovate, which includes the launch of the "Innovation Hub" (also on 28 October) and a new innovation section on the FCA's website.
- Barriers to innovation highlighted in the feedback statement include:
 - Lack of legal certainty in relation to financial regulation
 - Uncertainty over whether digital currencies such as Bitcoin will be regulated in the UK
 - Difficulty with access to business bank accounts for smaller businesses
 - Inadequacy of the FCA website as an information portal
 - Complexity and length of the FCA's authorisation process.
- The FCA also published a press release explaining the purpose of the Innovation Hub.

See the feedback statement [here](#) and the press release [here](#).

1.10 **United States:** US orders chip-and-PIN technology for government-issued cards.

- On 17 October 2014, the US President issued an executive order to have secure chip-and-PIN technology embedded into government-issued credit and debit cards as part of a broader move aimed at stemming payment data breaches.
- Government-issued cards that transmit federal benefits such as Social Security will have microchips embedded (instead of the usual magnetic strips), as well as associated PINs like those typically used for consumer debit cards.
- A replacement program for the cards is set to begin on 1 January 2015, and aims to have more than one million cards issued by the end of the year.

See the press release [here](#).

1.11 **Russia:** Russia proposes fines for digital currency use and promotion.

- The Ministry of Finance of the Russian Federation has released a draft bill which details a series of administrative fines to be imposed on both businesses and private citizens who issue, create or deliberately disseminate information about the release or operation of digital currencies.

See the draft bill [here](#) (in Russian).

2. PAYMENT MARKET DEVELOPMENTS

2.1 **United Kingdom:** Zapp partners with major retailers for mobile payments.

- Major retailers, billers and payment providers have partnered with Zapp, including Asda, Sainsbury's, House of Fraser, Anglian Water and Littlewoods.
- Zapp is currently working to pilot the mobile payment technology, which will then be launched in the first half of 2015.
- The firms supporting Zapp so far have a base of more than 35 million customers between them.

See a report [here](#) and the press release [here](#).

2.2 **United Kingdom:** More UK banks join Paym.

- 20 new financial institutions have signed up to use Paym, the person-to-person mobile payment service from the UK Payments Council.
- Since the service launched in April this year, 1,450,000 customers have registered for Paym with their bank or building society.

See a report [here](#).

2.3 **United States:** Bank of America Merrill Lynch introduces Digital Disbursements payment solution.

- The new payment solution enables companies to make payments to their customers digitally, eliminating the need to issue a cheque.
- Payments are directly routed to the bank account of the individual payee's choosing using either a mobile phone number or email address as the identifier.
- Digital Disbursements will be initially introduced to clients in the United States. However, the bank expects to extend this to other regions in the future.

See the press release [here](#).

2.4 **United States:** Starbucks to offer mobile ordering and payments across US in 2015.

- The order-ahead mobile application will be introduced initially in Portland and later rolled out across the US.
- Starbucks has about 12 million active users of its mobile application in the US and Canada, and processes approximately six million mobile transactions in the US every week.

See a report [here](#).

2.5 **Africa:** Equity Bank launches mobile payments service in Kenya.

- Kenya's Equity Bank is introducing a slim line SIM which allows customers to slip the bank's SIM card over their pre-existing SIM card in their phone, giving the bank access to the phone's menu, and the customer access to mobile banking.
- Equity Bank aims to rival Safaricom's M-Pesa mobile money transfer platform, which currently has over 18 million active users.

See a report [here](#).

2.6 **China:** Alibaba rebrands Alipay to Ant.

- Alibaba has changed the name of its Alipay financial services affiliate to Ant Financial Services Group.

See a report [here](#).

2.7 **France:** Twitter teams up with French bank for money transfer service.

- Groupe BPCE, France's second largest bank, has teamed up with Twitter to allow its customers to transfer money via tweets.
- The service, called S-Money, allows customers to transfer up to 500 euros, through their Twitter accounts.
- Users will only be able to send a maximum of 250 euros per transaction to others using their Twitter usernames and 500 euros to charities or crowd-funding campaigns to reduce money laundering risks.

See a report [here](#).

2.8 **New Zealand:** Westpac rolls out PayTag contactless stickers.

- Westpac NZ is to issue customers with NFC stickers that can be attached to phones for contactless payments of up to \$80.
- The stickers are only available to Westpac customers who currently hold a MasterCard with the bank.

See a report [here](#).

2.9 **Worldwide:** eBay & PayPal to become independent companies in 2015.

- The board of eBay said the decision to separate was a strategic move to help maximise growth and shareholder value for both the payment and retail entities.
- eBay expects to complete the transaction as a tax-free spin-off in the second half of 2015, subject to market, regulatory and certain other conditions.

See a report [here](#) and the press release [here](#).

2.10 **Worldwide:** Boku acquires mopay.

- Boku, the global mobile payments company, has acquired mopay, one of Boku's leading competitors.

- The acquisition makes Boku the largest standalone provider of carrier billing-based mobile payment services in the world.

See the press release [here](#).

2.11 **Worldwide:** MasterCard to launch contactless payment card with built-in fingerprint sensor.

- MasterCard and Zwipe have announced their partnership for the launch of the world's first contactless payment card featuring an integrated fingerprint sensor.
- After activation using a fingerprint the card can be used for contactless payments.
- The card is designed to work with all payment terminals for release in 2015.

See the press release [here](#).

2.12 **Virtual Currencies:** Bitcoin exchange to allow trading in other currencies.

- From 21 October 2014, London-based Bitcoin exchange Coinfloor, will open up to new currencies, accepting transactions in US dollars, euros and Polish zloty.

See a report [here](#).

2.13 **Virtual Currencies:** Technology Retailer CeX Now Accepts Bitcoin Across the UK.

- On 22 October 2014, CeX began accepting Bitcoin payments at 30 of its 266 UK stores, with more to follow in the coming weeks.
- CeX is using a bespoke system that integrates Coinbase as a payments processor and will install Bitcoin ATMs at select stores.

See a report [here](#).

3. REPORTS AND SURVEYS

3.1 **United Kingdom:** Which? investigation finds credit card providers fail to give correct section 75 advice.

- Which? conducted an investigation into the advice provided by ten credit card providers when cardholders call with queries relating to potential claims under section 75 Consumer Credit Act 1974.
- Six calls were made to each provider asking for advice on a situation where a relative had bought a £600 sofa, paying a £60 deposit on credit card with the balance paid by cheque. The delivery business went bankrupt before the sofa was delivered.
- Which? found that:
 - Only a third of advisers correctly stated that even if only part of an item was paid by credit card a customer could still claim a full refund
 - Many advisers referred to the £100 lower limit for section 75 liability but stated this related to the amount paid by card rather than the total amount of the item
 - Some advisers suggested the customer should go elsewhere for help (eg FOS)
 - Some advisers said a refund would not be possible where more than 120 days had passed.
- The FCA will begin a market study into credit cards in November and are likely to include section 75 as an area of focus.

See the report [here](#).

3.2 **United Kingdom:** UK card transactions top one billion a month for first time.

- Latest figures from the UK Cards Association show that the number of debit and credit card transactions made in a single month passed one billion for the first time in August 2014.
- There are now over 375 card transactions made every second in the UK.

See a report [here](#).

3.3 **United Kingdom:** Credit card borrowing rising faster than at any time since the height of the financial crisis.

- The British Bankers Association (BBA) published an update on the state of the credit card market for August 2014, finding credit card borrowing is rising faster than at any time since the height of the financial crisis.

See the report [here](#).

3.4 **Africa:** Mobile money contributing to the digitisation of Kenya's retail payments systems.

- GSMA has published new research showing how mobile money initiatives have contributed to the digitisation of Kenya's retail payments systems.
- In March 2014, the values and volumes transacted had reached KES 192.69 billion and 73.98 million transactions respectively, representing an increase of 43.32% in value and 41.20% in volume from the previous year.

See the report [here](#).

3.5 **Worldwide:** Five trends in mobile payments worldwide in 2014.

- A report by [mobilepaymentstoday.com](#), identifies five trends in mobile payments including:
 - The emergence of full financial mobility
 - Payments are becoming more invisible through the use of processes such as "one-click" to purchase
 - The increased use of tablet devices among developed market consumers
 - UK remaining at the forefront of use of mobile payments (both tablet and mobile phone based)
 - In-store NFC payments are beginning to gain traction in the world's most developed markets.

See the report [here](#).

3.6 **Worldwide:** Digital currency report on divergent regulation.

- Mercator Advisory Group has released a research note on digital currency regulation worldwide titled 'Global Digital Currency Regulations: Divergent Paths'.
- The report identified trends in digital currency regulation and concluded that industry development is currently hampered by a lack of regulatory consistency.

See a report [here](#).

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