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Hogan Lovells Global Payments Newsletter
18 September 2013

A solid yellow horizontal bar spanning the width of the page, positioned below the newsletter title and date.

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1. REGULATORY DEVELOPMENTS

1.1 **United Kingdom:** Bitcoin companies seek regulation for digital currency

- Bitcoin companies recently met the Department for Business, Innovation and Skills to discuss introduction of regulation for Bitcoin, in order to help allay fears of it being used for financial crime.
- This follows recent developments in the US and Germany, where authorities have introduced regulatory guidance around Bitcoin, and a US judge has ruled that it is a currency.

See reports [here](#) and [here](#)

1.2 **United States:** Federal Trade Commission advisory opinion on money transmitter agents

- The Bureau of Competition at the Federal Trade Commission ("**FTC**") has issued an advisory opinion to The Money Services Round Table (a trade association of six licensed national non-bank money transmitters) concerning their proposal to collect and disseminate information about terminated U.S. money transmitter agents.
- The FTC stated that it does not intend to challenge the proposal, given it appears unlikely to harm competition, and given that the information exchange is likely to both (i) improve money transmitters' ability to comply with federal and state laws for combatting financial crime; and (ii) enhance consumer protection (e.g. by avoiding the appointment of fraudulent or criminal agents).

The advisory opinion can be found [here](#)

1.3 **France:** Proposed new regulation of crowd funding

- On 4 September 2013, the French Government presented a legislative bill for a specific regulatory regime to apply to crowd funding platforms.
- At present, crowd funding is generally considered to fall within the scope of traditional financial services regulation, with the French regulators issuing guidelines on 15 May 2013 stating that provision of crowd funding services requires authorisation as a payment institution, an investment service provider or a credit institution.
- Application of the traditional regimes is thought to have constrained development of crowd funding in France, with only 40 million euros raised over the last six years. If

the bill is adopted, it is hoped that the tailored regulatory environment it introduces will foster growth.

See a report [here](#) (in French language)

2. PAYMENTS MARKET DEVELOPMENTS

2.1 **United Kingdom:** Monitise and IBM to help power Visa Europe's mobile banking plans

- Mobile payments provider, Monitise, and IBM are teaming up to help Visa Europe provide member banks with a range of cloud-based mobile banking, payment and commerce services.
- With Visa anticipating a large increase in the number of transactions carried out through mobile devices, the use of Monitise payment solutions and IBM software is expected to increase Visa Europe's range of mobile services and speed up adoption by member banks. These will include services enabling customers to manage accounts, transfer money.

See a report [here](#)

2.2 **United Kingdom:** Zapp, VocaLink's mobile payments venture, launches mobile payments app

- Zapp, a mobile phone app company, have announced a deal with Worldpay to include technology in their card machines at point of sale ("**POS**") and online payment software allowing customers to pay using their mobile phone from next summer.
- Customers will be sent a code when they are at a POS or online. Customers will also be able to scan a code into their phone from the bill, which includes details of the transaction and the retailer. The purchase is then completed by logging into the Zapp mobile banking app, which will work with NatWest, Lloyds, Barclays and Nationwide's online banking services.
- With major retailers including WHSmith, Lidl, McDonalds and Superdrug already signed up, this service could prove an alternative to NFC payments.

See a report [here](#)

2.3 **United States:** PayPal unveils new digital payment hardware for hands-free payments

- PayPal has unveiled PayPal Beacon, a Bluetooth Low Energy USB module for merchants, which allows customers to make hands-free payments. The device will be trialled this year before a planned roll-out in 2014.
- PayPal Beacon allows communication between a POS and a mobile device running the PayPal app. This allows a customer to check into a shop or restaurant, either automatically or manually depending on their preference, and be charged for the goods or services with just a verbal confirmation from the customer. Privacy and security have been considered as part of the design so that customers are not constantly being tracked and so that payment information is only sent to the merchant when the customer has chosen to check in.

See a report [here](#)

2.4 **Hong Kong:** Octopus Group to trial mobile payments on public transport network

- Hong Kong's transit card operator, Octopus Group, is introducing mobile payments on the territory's transport network. The first near field communication ("**NFC**")

enabled mobile phones capable of handling Octopus payments, which will require a special SIM card, are expected to be available towards the end of the year.

- This follows the Hong Kong Monetary Authority's pledge in March 2013 to work with banks to develop a nationwide NFC infrastructure for mobile payments and the introduction of new NFC payment services offered by banks such as Hang Seng and HSBC.

See a report [here](#)

2.5 **Japan:** Sumitomo Mitsui to launch Visa based NFC payments service

- The Sumitomo Mitsui banking group is to introduce a NFC payments service, using Visa PayWave. It will be available across Japan's three mobile network operators, who all have NFC enabled phones on the market. To use the service, Sumitomo Mitsui customers with a Visa card will need to download the Visa Paywave app on to their phone.
- Sumitomo Mitsui see this as the beginning of NFC payments in Japan with the potential to replace the current FeliCa contactless service. While the latter has been in use for some time in Japan, it is not so popular elsewhere. Sumitomo Mitsui sees advantages in NFC being adopted in Japan to enable compatibility with contactless payment standards elsewhere.

See a report [here](#)

2.6 **Japan:** MasterCard launches new mobile payments platform

- MasterCard has teamed up with mobile payments players, C-SAM and DNP in order to launch a new white label payments platform based on NFC technology. The new platform will be based on MasterCard's PayPass mobile payments system and will allow merchants to offer deals tailored to a consumer's particular interests.
- While mobile commerce is popular in Japan (see also previous story), it will be interesting to see how quickly NFC takes-off in Japan, which in turn may depend on how much penetration of NFC enabled phones there is in the Japanese market.

See a report [here](#)

2.7 **Spain:** Vodafone's new contactless payments launch in Spain ahead of global rollout

- Vodafone has announced that its mobile payments system, SmartPass, will see its worldwide launch in Spain before the end of 2013. SmartPass, which was developed with Visa, will enable customers to make contactless payments using NFC as well as transfer cash directly to other people.
- SmartPass will initially only be available via a Visa prepaid account. However Vodafone hopes to add more credit and debit card providers, with the long term goal being for customers only to have mobile wallets.
- Vodafone, Visa and Bank of New Zealand are reportedly testing the technology in New Zealand ahead of the worldwide launch.

See a report [here](#) and [here](#)

2.8 **China:** Alibaba introduces e-payment functions through smart TV

- The Alibaba Group, a major Chinese e-commerce enterprise, recently introduced a smart TV operating system (OS) with e-payment functions. A key feature of the

OS that distinguishes it from its competitors is its linking of TVs with the internet, which enables users to make purchases and payments through their TVs, as well as accessing digital content. This represents a big step for the Alibaba Group into the highly competitive TV market.

See a report [here](#)

3. **SURVEYS AND REPORTS**

3.1 **United States:** NFC enabled smartphones will lead to growth in mobile payments

- A report by Heavy Reading Insider suggests the increased production of NFC enabled smartphones will underpin growth in NFC uses. Approximately 90% of manufacturers now have such devices commercially available, with most including an embedded secure element solution.
- The report comments that NFC will need to be standard on mobile devices for it to succeed, and that the deployment of chip enabled infrastructure across the USA should support new ways to pay.

See a report [here](#)

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