

**Hogan Lovells Global Payments Newsletter**  
1 May 2013

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## Hogan Lovells Global Payments Newsletter

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### 1. REGULATORY DEVELOPMENTS

#### 1.1 Europe: Planned European Union ("EU") directive on access to bank accounts

- The European Commission has announced that it will soon publish a proposal for a directive aimed at ensuring:
  - access for all EU consumers to a basic payment account, regardless of where they reside or the state of their personal finances;
  - that fees are more easily comparable between different consumer bank accounts (as an aid to "shopping around"); and
  - a simple and quick procedure for consumers to switch from one current account to another (particularly to improve competition).
- Digital and mobile channels are seen by many as a cost-effective and attractive way of providing basic payment accounts to the unbanked or underbanked. It will be interesting to see whether the draft directive deals specifically with those channels.

See the press release [here](#)

#### 1.2 United Kingdom: Payments Council responds to payment account consultation

- The Payments Council, the body responsible for setting UK payments strategy, has responded to the European Central Bank's ("ECB") consultation on draft recommendations for payment account access services ("PAAS"). The recommendations would apply to internet based services, such as account information and payment initiation services, offered by third party providers.
- The Payments Council supports the ECB's view that PAAS should be regulated through the Payment Services Directive ("PSD") and believes that such regulation will enhance competition and lead to improvements in consumer protection and security.
- The response states that bringing PAAS under regulation would enable legislators to set the rights and obligations of the various parties in the payments chain. However, they note that regulation will need to keep pace with a rapidly evolving sector and question whether the recommendations should apply to electronic and mobile wallets, where similar issues may arise.

- The response also notes that the recommendations and, in particular the security requirements, should not be considered in isolation, but should be assessed against other legislation such as the draft Data Protection Regulation and the Anti-Money Laundering Directive.

See the response [here](#)

### 1.3 **France:** Single Euro Payments Area ("**SEPA**") online guidance for companies

- The French Banking Federation has launched an educational web-based guide for companies to encourage their migration to the SEPA schemes, that is, the SEPA Credit Transfer Scheme, the SEPA Direct Debit (Core) Scheme and the SEPA Direct Debit Business to Business (B2B) Scheme.
- With only 34.5% of credit transfers and 1% of direct debits currently SEPA compliant, the Federation is responding to concerns that French companies will not have migrated from the existing national euro credit transfer and direct debit schemes to SEPA by the migration deadline just 10 months away.
- In addition to its new website, the Federation will organise meetings in various French cities to introduce the SEPA schemes to French companies and encourage them to use SEPA services.

See the website [here](#)

### 1.4 **Germany:** Opinion on payments and anti-money laundering laws

- The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) ("**BaFin**") has reportedly provided an opinion on its interpretation of the German Payment Service Supervisory Law and Anti-Money Laundering ("**AML**") Law.
- BaFin is of the opinion that credit institutions which provide accounts in the name of an e-money issuer, which the issuer uses in relation to loading and redeeming e-money, are considered to be either e-money agents or so called '2c-agents'. Both of these agents are considered subject to the above law and have to fulfil certain obligations, among them the identification and verification of the e-money holders (that is, the customers of the e-money issuer).
- Such agents are generally not in a position to fulfil these requirements independently, which would necessitate an outsourcing agreement with the e-money issuer.
- BaFin's opinion could have the effect of introducing German AML standards to the cross-border issuing of e-money.

The opinion is not publicly available: please contact us for further information.

### 1.5 **China:** National standards for mobile payments being developed

- The Ministry of Industry and Information Technology's China Electronics Standardisation Institute will publish a national standard for mobile payments. A specification for the China-wide standard has reportedly been drafted and may be published within the year.

- It is reported that the China-wide standard will utilise 13.56 MHz near-field communication ("**NFC**") payment technology. This frequency is consistent with international market specifications and its adoption would help to facilitate interoperability globally. The standard will be compatible with a range of mobile payments solutions such as SIM and SD card-based options.
- The mobile payment standard could have a dramatic impact on the global development of NFC payments given the size of the Chinese payments market.

See a report [here](#)

## 2. PAYMENTS MARKET DEVELOPMENTS

### 2.1 **United Kingdom:** New product bills NFC payments by carrier billing

- txtNation, the direct carrier biller, and RapidNFC, a provider of NFC tags and other NFC technology, are working together to provide a mobile payments solution that uses NFC tags to prompt a payment, which is then billed to the customer's mobile phone bill.
- When the customer scans the merchant's special NFC tag with their NFC-enabled mobile phone, a payments flow is triggered which uses MSISDN pass through (MSISDN being the number uniquely identifying a subscription in a GSM or a UMTS mobile network) to access the number associated with the mobile phone.
- The customer will then be linked to a webpage requiring one-click confirmation and will receive a text message to confirm the payment. The payment will then appear on the customer's mobile phone bill or be debited from their pay-as-you-go balance.
- The companies plan to offer the service to merchants for free (for now, at least), and it may help NFC uptake as it will not require merchants to invest in expensive infrastructure.

See a report [here](#)

### 2.2 **United States:** PayPal expand in-store payments through Discover

- PayPal, through its partnership with Discover, is now offering offline payments to any shopper with a PayPal account in stores with point-of-sale ("**POS**") terminals on the Discover network. The customer simply enters their mobile phone number and a PIN at the POS terminal.
- The collaboration means that PayPal can offer payments in-store at over a quarter of a million locations. They anticipate this will increase to two million by the end of this year. Such an increase significantly extends PayPal's reach, without requiring merchants to replace or upgrade their payments terminals.

See a report [here](#)

### 2.3 **United States:** Snapfinger launches mobile solution for restaurant bill payment

- Snapfinger, a mobile commerce platform, is expanding its offering with the launch of an on-premises, self-checkout and mobile payment app.

- The app integrates with the restaurant's POS system and allows the customer to check-in when they arrive and open a tab in the restaurant's system. Orders are then placed on the tab either by the restaurant's front of house staff or by the customer directly. The customer can also pay their tab using various mobile wallets linked to the app.
- The app can also link to the restaurant's loyalty programme and will give restaurants access to richer information about their customers.

See a report [here](#)

#### 2.4 **Poland:** Visa and MasterCard accept voluntary interchange rate cut programme

- Visa and MasterCard have agreed to cut the current rate of interchange fees (i.e. the fees paid between banks for the acceptance of card-based transactions). The decision was made in response to the interchange rate reduction programme developed by the National Bank of Poland.
- The current interchange rate is approximately 1.2%, but this will decrease gradually over time, with the aim that the rate will reach 0.7% in 2017.

See a report [here](#) (in Polish).

#### 2.5 **Poland:** Five major petrol station operators will soon decide on their mobile payment service operator

- Orlen, Lotos, Shell, BP and Statoil (whose combined petrol station networks exceed 3,500 in Poland) will appoint a new mobile payment service operator with the aim of cutting interchange rate costs.
- Two leading candidates for the payment service platform have been identified:
  - a payment service called "IKO" which was launched in 2013 by one of Poland's biggest banks, PKO BP; and
  - a new mobile payment solution currently being developed for Biedronka (Poland's largest foreign owned mall network).

See a report [here](#) (in Polish).

#### 2.6 **India:** Vodafone's M-Pesa to be offered in India

- M-Pesa, the mobile money platform set-up by Vodafone, which is reported to have over 17 million users across eight countries including Kenya and Tanzania, is to be launched in eastern India through a network of 8,300 M-Pesa agents. The service will then be rolled out across India in stages.
- The service will offer cash deposits and withdrawals, money transfers to any mobile device in the country, mobile top-ups, some in-store payments, as well as bill payments.
- M-Pesa is being offered through a partnership between Vodafone India and ICICI Bank, the largest private sector bank in India. The service should facilitate financial inclusion for India's unbanked population of almost 700 million people.

See a report [here](#)

## 2.7 **Singapore:** Bank makes NFC payments available across networks

- Singapore bank DBS has become the first bank in the country to offer a virtual credit card accessible by an NFC enabled phone which is available to customers regardless of the mobile network which they use.
- The bank's mobile payments solution 'DBS One.Tap', which launched in August 2012, is now available on all three mobile networks: StarHub, M1 and Singtel. More than 30,000 DBS merchants are currently equipped with contactless payment terminals.

See a report [here](#)

## 3. **SURVEYS AND REPORTS**

### 3.1 **Europe and the United States:** Consumers want personalised mobile shopping

- A survey by Symphony EYC reports that European and American consumers would like 'mobile interactions' to form part of their retail experience.
- The poll looked at grocery shopping and identified several trends:
  - consumers would like to be 'recognised' as they enter a shop
  - they would like individual offers and to manage retail loyalty schemes via their mobile phone; secondly,
  - a majority of consumers would like to use their mobile phone to compare prices in-store, provide feedback and locate products;
  - all that said, only a few consumers are currently using mobile payments to purchase groceries.

See a report [here](#)

### 3.2 **United Kingdom:** British shoppers fear contactless payments

- Results from a survey of 2,000 UK adults by the price comparison website, GoCompare reveals that a quarter of adults find the concept of contactless payments 'scary', while more than half would be saddened by a drive towards a cashless society.
- Only 6% of adults had made a contactless NFC payment using their credit card and a mere 3% using their mobile phone. In comparison, those questioned seemed more comfortable making payments online, with 86% holding a PayPal account and 54% describing themselves as regular users.
- Surprisingly, the majority of those surveyed anticipated they would still be using cash and debit cards to make payments in ten years' time (54% and 60% respectively). Only 40% believed that they would be using contactless payments systems in 2023, while only a quarter believed that they would be using mobile payments.

See a report [here](#)

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