



**Hogan
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Global Payments Newsletter
20 January 2014



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1. REGULATORY DEVELOPMENTS

1.1 **Worldwide:** Bitcoin under regulatory spotlight

- In response to the growing popularity of Bitcoin, regulators around the world are recommending caution. The European Banking Authority and the German Bundesbank have warned investors that, as there are no specific regulatory protections and no state guarantee for Bitcoin, investors could lose all their money. They also cautioned that Bitcoin investment is highly speculative because of its volatility and design.
- The Monetary Authority of Singapore issued a warning in September last year about the risks of trading in Bitcoin and cautioned that if Bitcoin ceased to operate, there might not be an identifiable party responsible for refunding money. However, it is not regulating the adoption of the virtual currency. This decision contrasts with that of the People's Bank of China, which has banned Chinese banks from Bitcoin transactions.
- In India, the Bitcoin trading platform (BuySellBitco.in) closed and this was followed by closures of other trading platforms in India. This was a result of regulatory warnings from the Reserve Bank of India to consumers about the risks involved with virtual currencies. Despite the warnings, the Central Bank of India did not issue a ban or other restrictions on virtual currencies.

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

1.2 **Worldwide:** Updated payment card security standards published

- The Payment Card Industry ("PCI") Security Standards Council, a global forum for the development of payment card security standards, has published version 3.0 of the PCI Data Security Standard ("PCI DSS"), the main standard for storing payment card data, and Payment Application Data Security Standards ("PA DSS"), being security requirements for payment apps.
- The standards take into account industry feedback and include a set of best practices designed to help organisations make payment security part of their business-as-usual activities.
- Whilst the new standards took effect on 1 January 2014, organisations will have until 31 December 2014 to make the transition, with some of the new security requirements having the status of best practice until 30 June 2015.

See the press release, with links to the new standards, [here](#)

1.3 **Europe:** Proposed changes to draft fourth Money Laundering Directive

- Two Committees of the European Parliament have tabled a range of amendments to the Directive including:
 - more detailed provisions on assessment of money laundering risks by providers, national and European bodies and greater coordination among them;
 - explicit provisions to greatly limit availability of simplified due diligence for e-money products;
 - increased maximum sanctions for breach; and
 - provisions to ensure greater alignment with European Union ("EU") data protection laws.
- The Parliamentary Committees are expected to vote on the draft report on 22 January 2014, and the Directive is then expected to be considered by the European Parliament at a 2 April 2014 plenary session.

See the proposed amendments [here](#) and the procedure file [here](#)

1.4 **Europe:** EU calls for more robust framework for data transfers to USA

- The European Commission has published a Communication, "*Rebuilding Trust in EU-US Data Flows*", calling for a more robust "safe harbour" framework permitting data transfers between the EU and the United States. It has also published an analysis of the functioning of the safe harbour and a report on the findings of the EU-US Working Group on Data Protection (set up last July).
- Although it highlights the importance of the strategic partnership between the EU and the US, the Communication stresses that the reported mass surveillance by US security services of EU citizens, enterprises and political leaders has affected their fundamental rights as well as their trust in the digital economy. To address concerns, the Commission calls for action in a number of areas, including proposals for the speedy adoption of the proposed Data Protection Regulation, more safeguards to the current safe harbour agreement and stronger data protection safeguards in law enforcement co-operation.
- Although US businesses will welcome the Commission's intention to reform rather than revoke the safe harbour framework, it may be some time before there is more certainty about the extent of the changes that will be made.

See a report [here](#)

1.5 **Europe:** European Central Bank consults on security of mobile payments

- The European Central Bank has published a consultation on recommendations for the security of mobile payments, including contactless payments using near field communication ("**NFC**"), payments through mobile apps, and payments through mobile network operator ("**MNO**") channels, such as using SMS.
- The recommendations have been developed by SecuRe Pay, a co-operative forum of EU regulatory authorities, and follow their recommendations on internet payments published last year.
- The recommendations include key considerations and best practice, covering areas such as formal security policy, on-going risk assessments, controls and mitigation,

strong (at least two factor) customer authentication, protecting customer data, transaction monitoring to prevent fraud, and customer education around the risks of mobile payments.

- The timeframe for implementation is still to be confirmed but the consultation, which closes on 31 January 2014, suggests 1 February 2017 (or two years after publication of the final report). Members of the forum, including the Financial Conduct Authority, apparently plan to implement the recommendations by integrating them into existing supervisory/oversight frameworks.

See a report [here](#) and the full consultation [here](#)

1.6 **United Kingdom:** Government pushes ahead with preferred standard for cyber-security

- The government has published its response to its March 2013 call for evidence on the requirements for a preferred standard for cyber-security. Based on the feedback received, the government will work with industry to develop a new "implementation profile" to become its preferred standard.
- The profile will be based on key standards from the ISO27000 series of information security standards, and will focus on basic cyber hygiene. Additional cyber-security profiles covering other areas may be developed in future.
- The government plans to work with industry to develop an assurance framework to support the profile, including auditing requirements and a badge that businesses can use to show they have achieved the preferred standard. The new profile is expected to launch early this year.

See a report [here](#)

1.7 **United States:** New supervisory guidance on use of social media

- The Federal Financial Institutions Examination Council has published social media guidance for financial institutions, following a consultation.
- The main message of the guidance is that existing laws, regulations and regulatory expectations apply to activities conducted through social media in the same way as they do to other channels. The guidance also calls for financial institutions to adopt appropriate risk management programs to identify, measure, monitor and control risks arising from social media. Although financial institutions are not obliged to consult the guidance, firms may find it helpful in developing social media compliance programs.

See our report [here](#)

1.8 **Italy:** New guidance for migration to the Single Euro Payments Area ("**SEPA**")

- The Bank of Italy has published new frequently asked questions ("**FAQs**") to help banks and other payment service providers move domestic credit transfers, banking and postal direct debits to SEPA by 1 February 2014. From that date, end-users (such as corporates, small and medium enterprises and public entities) must be able to send and receive SEPA payments.

See the [FAQs](#) here (available in Italian only).

2. PAYMENT MARKET DEVELOPMENTS

2.1 **Worldwide:** eBay patent application for virtual gift token

- eBay has filed a patent for gift tokens, which some believe could signal the creation of an alternative to Bitcoin for use with PayPal. The patent abstract states the patent covers systems and methods for giving gifts in the form of secure tokens. The recipient can then use the token to make purchases without requiring the holder to create an account with the payment provider.

See the patent application [here](#) and a report [here](#)

2.2 **United Kingdom:** Barclays adds 'send a payment' feature to Pingit

- Barclays has added a new feature to Barclays Pingit enabling large businesses, such as insurance companies and retailers, to make immediate payments to an individual's mobile phone number (rather than sending to, and storing details of, an account number). Individuals not already registered with Pingit will receive a text message explaining how to register to receive the payment. The service should help businesses speed up payments to customers and reduce costs.

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

2.3 **United Kingdom:** Nationwide launches first V.me based digital wallet

- Nationwide Building Society is the first UK provider to launch a digital wallet based on Visa's V.me offering. It enables its customers to store multiple card details in the wallet, which can then be used to make purchases on a participating retailer's website by simply clicking on the V.me button and entering a password. The V.me solution then processes the payment without any card details being passed to the merchant.

See a report [here](#)

2.4 **United States:** Digital card Coin launch causes comment

- Coin, a small start-up, has launched a digital card to replace other debit, credit and loyalty cards in a person's wallet. Using a small reader attached to a smartphone, up to eight cards can be added to the Coin digital card. The user can then select the card they want to use before it is swiped at a retailer. It also includes security features such as alerts if the card is too far away from the user's smartphone, for example, if it is left in a store.
- While Coin has been received positively, exceeding funding expectations, it has also experienced a large amount of criticism. Concerns included whether card schemes and financial institutions will allow cards to be loaded, potential security issues and whether merchants would accept the device for payment. The company has already confirmed a number of changes will be made to address concerns.

See a report [here](#)

2.5 **United States:** Google unveils debit card for digital wallet service

- Google has introduced a free MasterCard debit card for its Google Wallet users in the US. The wallet app currently allows users to make payments, including from NFC enabled smartphones, and to buy goods online.

- The limited availability of NFC has slowed the real world use of Google Wallet. The introduction of the debit card should help overcome this, allowing users to make in-store purchases and withdraw cash from automated teller machines ("**ATMs**").

See a report [here](#)

2.6 **United States:** Zynga to accept Bitcoin

- Zynga has followed other video games firms, such as Ouya and The Humble Bumble, to accept Bitcoin as a payment option. Zynga will allow users to purchase virtual goods in some of its games using BitPay, a Bitcoin payment service. Zynga said the move was in response to Bitcoin's rise in popularity around the world.

See a report [here](#)

2.7 **France:** New mobile banking offer by Axa Banque

- On 8 January 2014, Axa launched a new banking offer, "Soon", which claims to be the first 100% mobile bank account. Soon includes a mobile app, a bank account, an NFC Visa card, a savings account, documents storage, monthly e-statements, access to Soon banking advisors, and a "best price service" promise.
- Soon customers can also manage their budget by seeing what they have spent and entering future expenses in order to calculate "What is left to spend". Soon also helps customers save for a specific purpose by calculating a monthly transfer to achieve a target amount by a specified date.
- In addition, Soon allows the easy transfer of money using a PayPal account linked to the Soon account. It stores all e-bills received (e.g. electricity, e-commerce, phone and internet) and also allows people to attach a file, photo or comment to each transaction, in a secure session, as a souvenir of the event.

For a demo (in French), see [here](#).

2.8 **Italy:** *Poste Italiane* launch app for safe online payments and privacy

- *Poste Italiane* (the Italian Post company) has launched a new app ("[PosteID](#)") enabling safe online purchases as users do not need to enter their credit card details when making purchases. Instead, the details are loaded into the app, allowing the user to manage their digital identity when using mobile devices.

2.9 **Hong Kong:** World's second Bitcoin ATM opening in Hong Kong

- Hong Kong will have the world's second Bitcoin ATM by the end of January according to Robocoin, a US based software company. The first Bitcoin ATM is in Vancouver, Canada.
- Users will be able to buy or sell Bitcoin in a matter of minutes and the process should be quicker than setting up an account on an exchange, or using mobile apps and computers. The machine will eliminate the wait for account verification, which would normally take a few days. Instead, the machine has a hand scanner to create a biometric authenticated identity in order to prevent money laundering and fraud.

See a report [here](#)

2.10 **India:** Boku enters the Indian mobile payments market by acquiring Qubecell

- Boku, a mobile payments provider, has announced a deal to acquire Qubecell, one of India's leading direct carrier billers. The deal will connect Boku with four of India's biggest MNOs and is expected to make it the largest provider of direct carrier billing in India.

See a report [here](#)

3. **REPORTS AND SURVEYS**

3.1 **Worldwide:** Survey on mobile services and real-time payments

- An ACI survey of 200 executives from commercial and retail financial institutions, credit card companies and technology providers has revealed that over 80% believe that real-time payments will become standard by 2018.
- The survey also revealed that the "silo-ing" of banking data is considered to be a major hindrance to the adoption of real-time payments, making it difficult to create scalable, efficient and responsive payment networks.

See a report [here](#)

3.2 **United States:** Survey shows that US mobile bill payment usage has doubled

- The Fiserv 2013 Billing Household Survey has revealed a large increase in consumers paying bills from smartphones and tablets, doubling since 2012 to 16 million online households. The main reasons given by consumers for their use of the channel included convenience, anytime access and time savings.
- The survey also showed that 83% of consumers use two or more channels to pay bills every month although there was a marked decrease in the number of online households that paid a bill by cheque, moving from 61% in 2012 to 53% in 2013.

See the press release [here](#)

3.3 **Italy:** Card transactions on the rise

- The *Associazione Bancaria Italiana* ("**ABI**") (the Italian Banking Association) data on the use of payment instruments shows that Italians are making significantly more card transactions. In 2013 Q2, electronic payment transactions increased by 14% compared to the same period the previous year (up from 288 million to 329 million), with significant growth in the number of credit card transactions.
- This expansion was primarily due to the high number of online purchases using cards. Indeed, in the second quarter online payments more than doubled compared to the previous year (from 6 to 13 million transactions). However, Italian families still like to use cash, with the number of cash withdrawals over the period increasing by 2%.

See the press release [here](#) (in Italian)

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