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**Global Payments Newsletter**  
4 June 2014



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## Global Payments Newsletter

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### 1. REGULATORY DEVELOPMENTS

#### 1.1 **Europe:** The European Payments Council (EPC) launches consultation on SEPA Rulebooks.

- The EPC has launched a three month public consultation on proposed modifications to the Single Euro Payments Area (SEPA) Credit Transfer and Direct Debit Rulebooks.
- The consultation process ensures that the SEPA schemes develop in line with the requirements of the majority of all interested market participants.
- Responses to the proposed amendments are requested by 15 August 2014. The amendments will come into effect in November 2015.

See a report [here](#).

#### 1.2 **Europe:** A summary of the ECB's new Euro Retail Payments Board's (ERPB) first meeting has been published.

- This new body replaces the previous SEPA Council and has equal numbers of representatives from the supply (banks and payment institutions) and demand (retailers, consumers and corporates) sides as well as representatives of the central banks.
- Matters discussed included:
  - the common objective of the ERPB;
  - its work plan and priorities;
  - a possible alternative SEPA direct debit scheme without an unconditional refund right; and
  - the need for a pan-European electronic direct debit mandate solution.

See a report [here](#).

1.3 **United Kingdom and Europe:** The House of Commons European Scrutiny Committee further considers the Payment Services Directive 2 and the Multilateral Interchange Fee Regulation.

- It sets out the UK position on various points, including:
  - avoiding imposing unnecessary burdens on the UK financial services industry;
  - maximising protection for consumers while ensuring they can benefit from technological advances;
  - considering whether the small payment exemption was too low;
  - support for a cap on interchange fees but further substantial evidence was needed to support the level of the cap; and
  - ensuring domestic and cross-border interchange caps come in at the same time.

See a report [here](#).

1.4 **United Kingdom:** The FCA publishes an update on its call for inputs and a summary of the discussion at the first payments systems regulator stakeholder event.

- The FCA's call for inputs regarding payment systems regulation, published in March, closed on 15 April 2014.
- The FCA intends to explore and consult on the topics set out in the call for inputs in a number of stakeholder workshops and roundtable events. The FCA will also publish further consultations during 2014. See a report [here](#).
- On 10 April, the FCA held its first stakeholder engagement event where it started to explore the key challenges for the payment systems market and new regulator.
- The debate focused upon innovation, competition and access relating to payment systems. See a summary [here](#).

1.5 **Italy:** Bank of Italy analyses the risks posed by virtual currencies and the lack of consumer protection.

- It considered the risks in its half-yearly report on Financial Stability.
- According to the Bank of Italy, while virtual currencies are experiencing a significant increase in popularity, consumers need to remain aware of the risks associated with them.
- It highlighted that at the European level there is a widespread consensus on the need to establish a harmonised framework in the field of virtual currency aimed at regulating and supervising virtual currencies as well as ensuring consumer protection.

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

1.6 **China:** Chinese banks continue to ban any Bitcoin related trading activity causing local exchanges to consider moving offshore.

- The Industrial and Commercial Bank of China is the latest in a raft of Chinese banks that has banned any Bitcoin related trading activity from its depositors' accounts. This trend has been caused by the restrictive stance of the People's Bank of China ("PBOC") regarding digital currencies. The PBOC considers that such currencies pose significant security and financial stability risks. See a report [here](#).
- The PBOC's position has also had a direct impact on local Bitcoin exchanges. For example, BTC China, the country's largest, has announced that it will not permit customers to utilise the exchange using yuan deposit accounts held with the Bank of China. This move caused Bitcoin prices to tumble. See a report [here](#).
- Local Bitcoin exchanges are considering moving offshore to escape the PBOC's regulation. See a report [here](#).

1.7 **Japan:** The Japanese government has announced that it intends to increase its oversight of illegal transactions that are carried out using digital currencies such as Bitcoin.

- The Japanese Ministry of Economy, Trade and Industry is expected to set out a plan as to how it will monitor illicit trade involving digital currencies. In such monitoring the Ministry will work with other governmental agencies, such as the Financial Services Agency and National Police Agency.
- The increased oversight comes amid increasing fears in the country that criminal organisations are using Bitcoin for money laundering and drug trafficking.
- However, it is also believed that the Japanese government wishes to make the country a hub for the digital currency industry. Therefore, any new regulation imposed is not expected to be unduly hostile to participants in the industry.

See a report [here](#).

1.8 **United States:** Further warnings on the risks of using digital currencies have been issued, while the prospect of regulation in the industry looks likely.

- The US Securities and Exchange Commission has warned of the risks to the public of partaking in Bitcoin transactions.
- It cites the high risk nature of such transactions and their susceptibility to fraud due to the fact that no central authority regulates the currency. See a report [here](#).
- The Emerging Payments Task Force, consisting of state regulators, aims to draft regulations within a year which will protect consumers while also nurturing the growth of the digital currency industry. See a report [here](#).

## 2. PAYMENT MARKET DEVELOPMENTS

### 2.1 **United Kingdom:** Capita integrates Barclays' Pingit into its payment solutions.

- Capita has integrated Pingit into its payment solutions. This will allow Capita's clients in the public and private sectors to receive payments from their customers via the app.

See a report [here](#).

### 2.2 **United Kingdom:** Payments Council outlines expansion plans for Paym.

- Following the launch of its mobile payments platform, Paym, for which 500,000 UK customers have registered, the Payments Council is looking at adding additional proxies to the service as well as making Paym available for other types of payment request and international transfers.
- The additional proxies, which would be in addition to the use of mobile phone numbers, might include identifiers such as email addresses and driving licence numbers.

See a report [here](#).

### 2.3 **United Kingdom and United States:** Digital currency exchange, Prelude, a sub-service of Moolah.io, has released a preliminary audit of its Dogecoin balances.

- The decision to audit is a part of the firm's bid to be more transparent to users. The initial audit was conducted internally but a further independent audit and an audit of the firm's Bitcoin funds are also expected.
- The audit coincided with Moolah's announcement that it would add ACH (Automated Clearing House) support in the US and UK.

See a report [here](#).

### 2.4 **United Kingdom and United States:** Amazon has partnered Twitter to launch the #AmazonBasket and #AmazonCart service.

- The service allows Twitter users to add products to their Amazon Basket (in the UK) or Cart (in the US) by responding to tweets containing URLs of Amazon products with a specified hashtag. If the item is successfully added, users will receive confirmation from @MyAmazon.
- Payment for the contents of the basket/cart still needs to take place in the usual way. Currently, the service is only available in the UK and US.

See a report [here](#).

### 2.5 **Europe:** Web-based mobile payments processor, PayLane, announces first Android app.

- The mobile payments services offered via the app do not require an additional physical card reader, and can be carried out using the app alone.

- The release is intended to allow PayLane to expand into the mobile payments market.

See a report [here](#).

2.6 **Europe:** Deutsche Telekom enters into a new partnership with Boku Inc.

- The partnership expands on a previous agreement between the two in Germany, Deutsche Telekom's primary market, to cover the MNO's entire European user base, estimated at 140 million subscribers in 14 different markets.
- Boku provides carrier billing for mobile payments, and the partnership is designed to facilitate consumers purchasing more digital goods and services from selected merchants using their mobile phone account.

See a report [here](#).

2.7 **Europe:** Giesecke & Devrient is to provide the NFC SIM card for Deutsche Telekom's digital wallet, MyWallet.

- The companies have developed a security architecture for NFC-capable SIM cards which they believe meets the specific challenges of user-friendly payment applications.
- The SIM cards will contain a secure data vault, with a data volume of up to 1.3 megabytes, and a powerful processor to facilitate the encryption and decryption process.

See a report [here](#).

2.8 **Worldwide:** Yapital to add "one click" purchases from printed advertising to its app.

- Customers will be able to order and pay for promoted products by scanning QR codes in printed media (such as billboard and newspaper adverts, flyers and shop windows).
- To do so, Customers must download the Yapital app and then load funds into a prepaid Yapital account. The existing app also supports payment by a customer scanning a QR code generated in store by a POS system.
- The new service is expected to be live with the first partners in summer 2014.

See a report [here](#).

2.9 **Worldwide:** Groupon announces Gnome, its new tablet-based platform.

- Gnome provides tools to local merchants to enable them to run their businesses more effectively and understand their customers better.
- The tablet will let merchants:
  - instantly recognise their Groupon customers as they enter their business via BLE technology;
  - redeem Groupons; and

- save time and money with a point of-sale system and credit card payment processing service.

See a report [here](#).

#### 2.10 **Singapore:** DBS Bank launches PayLah! money transfer and payment service.

- PayLah! allows users to send money and pay for purchases using their mobile phone, independently of an internet banking portal.
- Customers need to download the app, link their mobile numbers with existing DBS and POSB bank accounts, and top up the mobile wallet, which can take a maximum of S\$999 (£476). They can then transfer funds and make payments from within the app.
- To date, Singapore consumers have been slow to adopt mobile payments, although smartphone penetration in Singapore is over 85%.

See a report [here](#).

#### 2.11 **UAE:** Major growth is expected in the mobile commerce sphere of the UAE.

- A MasterCard study in 2013 suggested that the UAE is moving toward a cashless society faster than any other country in the Middle East.
- Growth is expected because:
  - There is high mobile phone penetration in the region.
  - Retailers, financial organisations and the UAE government have been supporting the growth of the sector. For example, The UAE Ministry of Labour's Wages Protection System allows workers to receive their salaries through prepaid cards. It also allows bank accounts that can be accessed by mobile devices.

See a report [here](#).

- Banks in the region are moving quickly to upgrade their payment technologies to permit mobile banking and transactions. See a report [here](#).

#### 2.12 **United States:** BitPay completes \$30 million funding.

- BitPay is an online payment processor of Bitcoin, and the funding values it at around \$160 million, in what is thought to be the biggest venture-capital investment in the digital-currency industry to date.
- BitPay Chief Executive Tony Gallippi said the money will be used to boost the company's international expansion, with a special focus on emerging markets such as India.
- The funding is also notable for Richard Branson and Yahoo co-founder Jerry Yang participating in the investment. Branson became familiar with BitPay when it provided a Bitcoin payment solution for Virgin Galactic.

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

2.13 **United States:** Dish Network allows its subscribers to pay using Bitcoin.

- Beginning in July, Dish Network's 14 million subscribers will have the option to pay their subscription fees with Bitcoin. It appears to be the biggest company yet to accept Bitcoin for payment.

See a report [here](#).



### 3. REPORTS AND SURVEYS

3.1 **Worldwide:** The number of mobile point-of-sale ("mPOS") devices is set to increase fivefold according to a new report by ABI research.

- The fivefold increase is predicted to occur over a five-year forecast period between 2014 and 2019.
- mPOS devices are expected to reach the 51 million mark in 2019, or 46% of the overall POS market.
- Investors are increasingly interested in backing players in the mPOS market.
- The adoption of mPOS devices is occurring in merchants of all sizes.
- Merchants are looking toward mPOS to:
  - provide new acceptance capabilities;
  - bring about the enablement or extension of added value services; and
  - improve in-store mobility levels.
- Yet questions remain around the business viability of mPOS and whether it can be a profitable and sustainable business.

See a report [here](#).

3.2 **Worldwide:** The increase in the issuing of contactless payment cards is leading to growth in NFC adoption according to figures released by the Smart Payment Association.

- Financial institutions issued more than 450 million contactless cards in 2013.
- Growth rates are significant across all regions ranging from 193% in Asia-Pacific in 2013 compared with 2012, 45% in the Americas and 64% in Western Europe.
- The increased deployment of contactless payment infrastructures is also contributing to increased mobile payments and accelerating the introduction of NFC to mass markets.

See a report [here](#).

3.3 **Worldwide:** One in five mobile handsets is to feature wallet functionality by 2018 according to a report by Juniper Research.

- The report titled "Mobile Wallets: Strategies for Developed and Developing Markets 2014-2019" found that:
  - in emerging and developing markets Stored Value Accounts are increasingly enabling first-time financial access for unbanked individuals;
  - in North America and Western Europe over 50% of mobile wallets in developed markets are expected to feature contactless payment by 2018.

3.4 **Worldwide:** Alternative payment methods are expected to account for 50% of business-to-consumer e-commerce payments in 2014 according to a report by yStats.com.

- The use of mobile wallets and mobile payments is expected to show the fastest growth.
- The report identifies which payment methods are the most popular in a number of regions.

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

3.5 **China:** Mobile bank payments have increased significantly according to a report by the People's Bank of China.

- Mobile payments in the country increased 255% year-on-year in the first quarter of 2014 to 3.89 trillion Chinese yuan.
- Mobile payments grew 232% year-on-year leading up to Q1 2014.
- The above statistics do not take into account independent payment services such as WeChat or Alipay.

See a report [here](#).

3.6 **India:** Experts are predicting that mobile payments in India will surge in popularity.

- This is because:
  - Mobile phone use has greatly increased in the country over the past seven years. In 2013 India was the sixth largest smartphone market. By 2017 it is predicted that India will become the world's third fastest growing smart phone market with 459.7% growth between 2013 and 2017.
  - Members of the public, without access to traditional banking products, are able to transfer funds cheaply and securely using mobile payments services. They can also use mobile payments services to pay for goods and services from selected merchants.
- The expectation of growth is evidenced by the fact that investment funds are showing a particular interest in the Indian market by investing in mobile payments start-ups.

See a report [here](#).

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