

The logo for Hogan Lovells, consisting of the words "Hogan" and "Lovells" stacked vertically in a black serif font, set against a solid yellow square background.

Hogan  
Lovells

**Hogan Lovells Global Payments Newsletter**  
4 September 2013

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

---

# Hogan Lovells Global Payments Newsletter

4 September 2013

For our latest news and commentary on payments innovation, follow us on Twitter [@HLPayments](#).

You can also click [here](#) to subscribe to our "Global Media and Communications Watch" blog, for topical commentary on TMT related issues from Hogan Lovells lawyers across the world.

## 1. REGULATORY DEVELOPMENTS

### 1.1 United Kingdom: Regulator publishes interim report on mobile payments and banking

- The Financial Conduct Authority ("**FCA**") has published an interim report on its thematic review of mobile payments and banking. It flags a number of potential risks for further assessment, including:
  - security risks associated with the downloading of banking apps which mean that customers may inadvertently download malware or viruses, and other fraud risks;
  - reliance on third parties for technical services, which increases the chain of companies involved in processing a customer's transaction, and so may increase the likelihood of problems occurring;
  - firms rushing services to market without having put robust systems and technology in place;
  - small screens and limited keypads on mobile devices may increase the risk of customer error; and
  - inadequate anti-money laundering ("**AML**") controls, particularly for higher risk services such as overseas transfers and payments not linked to a customer's current account.
- The next stage of the FCA's work will involve continued engagement with industry and consumer groups, and the testing of a sample of mobile banking services to determine whether firms are meeting the FCA's expectations and treating customers fairly. The FCA aims to complete its assessment work later this year and to report again in the first half of 2014.

See the report [here](#)

### 1.2 United States: New York regulator inquiry into virtual currencies

- The New York State Department of Financial Services (the "**DFS**") has issued a notice announcing an inquiry into whether new regulation is needed for virtual currencies. They have also sent subpoenas to 22 virtual currency companies to obtain evidence.
- Currently, virtual currency exchangers may be engaging in money transmission under New York law, entailing supervision for "safety and soundness", safeguarding of customer funds and AML compliance.

- The DFS is considering tailored regulatory guidelines for the virtual currency industry, which could include requirements on safety and soundness; requirements to ensure prompt processing of virtual currency transactions (especially redemption); to combat illegal activity; and to improve transparency and accountability (in order to attract investment in virtual currency providers).

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

## 2. PAYMENTS MARKET DEVELOPMENTS

### 2.1 **United Kingdom:** Supermarket chain installs near-field communications ("NFC") payments

- Following a pilot earlier this year, supermarket chain, Lidl, has rolled-out NFC 'contactless' payments to all 600 of its UK stores. Lidl hopes to speed up payments and reduce queuing times as well as meet consumer demand for alternative methods of payment. In the first two weeks, a reported 65,000 NFC transactions were carried out.
- With an increasing number of major high street retailers now offering NFC technology, consumer awareness and use is growing. Figures from Visa show that in the last 12 months, UK consumers have made 51 million purchases using NFC and monthly contactless spend has increased five-fold to £45.2 million in June 2013 compared to the same period last year.

See a report [here](#)

### 2.2 **United Kingdom:** No more cash fares for London bus?

- Following the introduction of the radio-frequency identification ("**RFID**") Oyster card in 2003 and NFC debit, credit and charge card payments on its bus fleet at the end of last year, Transport for London ("**TfL**") are now considering whether to stop accepting cash payment for fares on their bus network.
- According to TfL, cash fares now make up less than one per cent of bus journeys. In addition, TfL would save £24 million a year, while customers would benefit from reduced queuing times and lower fares. A public consultation is open until 11 October 2013.
- TfL also plan to introduce NFC payments across other parts of London's transport network, including the Tube, Docklands Light Railway, London Overground and trams by the end of this year.

See a report [here](#)

### 2.3 **United States:** Mobile payment solution for the rental market

- Mobile payments company, Propay, has launched a service to facilitate rental payments via mobile devices, without requiring users to download an app. The service, accessed via the web browser of the device, also allows users to communicate with their property managers and report maintenance problems.
- This service could be a useful tool for property managers, particularly for the 18-34 age group. There are approximately 50 million 18-34 year olds in the rental market, of whom around 80% own a smartphone.

See a report [here](#)

#### 2.4 **Czech Republic:** NFC payment system trialed

- Mobile network operator ("**MNO**"), Telefonica, is piloting an app and card reader based mobile point of sale ("**mPOS**") system that will also support NFC payments. The service, targeted at small merchants, will use a card reader that connects to a mobile device. The app will be supported on iOS, Android and Windows operating systems.
- Merchants enter the amount to be paid into the app and the customer either swipes or inserts their card into the reader or, if it is NFC-enabled, taps their card against the reader and, if prompted, enters their personal identification number ("**PIN**").
- Local bank, CSOB, will clear payments and merchants will pay a 2.79% transaction fee. If the trial is successful, a full launch could begin early next year and move beyond the Czech Republic to Slovakia and Germany.

See a report [here](#)

#### 2.5 **Canada:** PayPal's Toronto pilot lets diners pay by mobile over the cloud

- PayPal is working with Toronto-based, TouchBistro, on a pilot in selected restaurants and coffee shops around the city. The pilot will allow customers to pay using their mobile devices over the cloud. TouchBistro operates iPad-based point-of-sale ("**POS**") terminals, connected to cash drawers and printers using the cloud.
- Customers of participating outlets will be able to check-in on their smartphone with PayPal when they arrive. When a customer comes to pay, the member of staff sees the customer's image and name on the iPad for easy identification and confirms payment from the customer's PayPal account or linked debit or credit card. The aim is to speed up transactions and allow a more personal service.

See a report [here](#)

#### 2.6 **Brazil:** iZettle mPOS service launched

- mPOS provider, iZettle and Banco Santander, who invested in the firm earlier this year, are launching iZettle's card reader and accompanying app in Brazil. The service will allow merchants to take card payments using their mobile device.
- With 99.7% of businesses in Brazil being micro-merchants, iZettle's service could help these merchants gain access to Brazil's vast card payment market. It's the latest in a series of Brazil oriented announcements from providers, and highlights the interest which Brazil holds for payments innovation launches.

See a report [here](#)

#### 2.7 **India:** Trial brings NFC to basic phones

- Software start-up, iKaaz Software, is trialling a NFC solution in India. Consumers can purchase a small, low cost NFC tag to convert their phone into an NFC-enabled one. The retailer of the tag links it to the customer's mobile number so the customer can then link mobile wallets or bank account details with the tag.
- Separately, merchants are able to purchase a reader which is plugged into their phone, and download the iKaaz app. The merchant can then accept payments by the customer tapping their phone against the reader. The customer will receive a text message confirming the transaction.

- Currently India has a low payment card penetration, so this solution, which doesn't require a significant investment by either the consumer or merchant, could help move the country away from cash based transactions.

See a report [here](#)

### 3. **SURVEYS AND REPORTS**

#### 3.1 **United States:** Consumers gaining trust in online and mobile banking

- A report by Pew Research Center shows that 51% of American adults (or 61% of internet users) now bank online. This is up from 46% in 2010. The report also shows significant growth in mobile banking with 32% of US adults (or 35% of mobile phone owners) using their device for banking, up from 18% in 2010.
- The research also shows a marked increase in the use of online banking among young adults (i.e. 18-29 year-olds), growing from 55% in 2010 to 66% in 2013.

See the report [here](#)

## Contacts

### London:

#### Hogan Lovells International LLP

Atlantic House  
Holborn Viaduct  
London EC1A 2FG  
Tel: +44 (0) 20 7296 2000

#### Ben Regnard-Weinrabe

Partner  
Tel direct: +44 (0) 20 7296 5649  
Email: [ben.regnardweinrabe@hoganlovells.com](mailto:ben.regnardweinrabe@hoganlovells.com)

#### Mark Taylor

Partner  
Tel direct: +44 (0) 20 7296 5370  
Email: [mark.taylor@hoganlovells.com](mailto:mark.taylor@hoganlovells.com)

#### Roger Tym

Partner  
Tel direct: +44 (0) 20 7296 2470  
Email: [roger.tym@hoganlovells.com](mailto:roger.tym@hoganlovells.com)

### Amsterdam:

Keizersgracht 555  
1017 DR Amsterdam  
Netherlands  
Tel: +31 (20) 55 33 600

#### Victor de Vlaam

Partner  
Tel direct: +31 (20) 55 33 665  
Email: [victor.devlaam@hoganlovells.com](mailto:victor.devlaam@hoganlovells.com)

### Beijing:

31st Floor, Tower 3  
China Central Place  
No. 77 Jianguo Road  
Chaoyang District  
Beijing 100025  
China  
Phone +86 10 6582 9488

#### Roy G. Zou

Partner  
Tel direct: +86 10 6582 9596  
Email: [roy.zou@hoganlovells.com](mailto:roy.zou@hoganlovells.com)

### Dubai

19th Floor, Al Fattan Currency Tower  
Dubai International Financial Centre  
PO Box 506602  
Dubai  
United Arab Emirates  
Phone +971 4 377 9377

#### Imtiaz Shah

Partner  
Tel direct: +971 4 377-9222  
Email: [imtiaz.shah@hoganlovells.com](mailto:imtiaz.shah@hoganlovells.com)

### Frankfurt

Untermainanlage 1  
60329 Frankfurt am Main  
Germany

Tel: +49 (69) 962 36 0

#### Richard Reimer

Partner  
Tel direct: +49 (69) 96236 414  
Email: [richard.reimer@hoganlovells.com](mailto:richard.reimer@hoganlovells.com)

### Hong Kong

11th Floor, One Pacific Place  
88 Queensway  
Hong Kong, China

#### Felix Dare

Senior Associate  
Tel direct: +852 2840-5626  
Email: [Felix.Dare@hoganlovells.com](mailto:Felix.Dare@hoganlovells.com)

### Madrid:

Paseo de la Castellana,  
51 Planta 6ª  
28046 Madrid  
Tel : +34 91 3498 200

#### Joaquin Ruiz Echauri

Partner  
Tel direct: +34 (91) 3498 295  
Email: [joaquin.ruiz-echauri@hoganlovells.com](mailto:joaquin.ruiz-echauri@hoganlovells.com)

### Moscow

Summit Business Centre  
22 Tverskaya Street, 9th Floor  
125009 Moscow  
Russia

#### Alexander Rymko

Partner  
Tel direct: +7 (495) 9333009  
Email: [alexander.rymko@hoganlovells.com](mailto:alexander.rymko@hoganlovells.com)

### Paris:

17, avenue Matignon  
Paris 75378  
France  
Tel: +33 (1) 53 67 47 47

#### Sebastien Gros

Partner  
Tel direct: +33 (1) 5367 1623  
Email: [sebastien.gros@hoganlovells.com](mailto:sebastien.gros@hoganlovells.com)

## Rio de Janeiro

Hogan Lovells  
Rua Santa Luzia, 651  
26° andar - Centro  
20030-041 Rio de Janeiro, RJ  
Brasil

### Claudette M. Christian

Partner  
Tel direct: +55 21 3550 6672  
Email: [claudette.christian@hoganlovells.com](mailto:claudette.christian@hoganlovells.com)

## Rome:

Piazza Venezia 11  
Rome 00187  
Italy  
Tel: +39 (06) 675823 1

### Jeffrey Greenbaum

Partner  
Tel direct: +39 (06) 675823 28  
Email: [jeffrey.greenbaum@hoganlovells.com](mailto:jeffrey.greenbaum@hoganlovells.com)

## Shanghai:

Park Place, 18th Floor  
1601 Nanjing Road West  
Shanghai 200040  
China  
Phone +86 21 6122 3800

### Andrew McGinty

Partner  
Tel direct: +86 21 6122-3866  
Email: [andrew.mcginty@hoganlovells.com](mailto:andrew.mcginty@hoganlovells.com)

## Singapore:

50 Collyer Quay  
#10-01 OUE Bayfront  
Singapore 049321  
Singapore  
Phone +65 6538 0900

### Andrew Carey

Partner  
Tel direct: +65 63022-433  
Email: [andrew.carey@hoganlovells.com](mailto:andrew.carey@hoganlovells.com)

## Warsaw:

ul. Nowogrodzka 50  
Warsaw 00695  
Poland  
Tel: +48 (22) 529 29 00

### Beata Balas-Noszczyk

Partner  
Tel direct: +48 (22) 5292 920  
Email: [beata.balasnosczyk@hoganlovells.com](mailto:beata.balasnosczyk@hoganlovells.com)

## Washington

**Hogan Lovells US LLP**  
Columbia Square  
555 Thirteenth Street, NW  
Washington, DC 20004  
Tel: +1 202 637 5600

### Daniel Keating

Partner  
Tel direct: +1 202 637 5490  
Email: [daniel.keating@hoganlovells.com](mailto:daniel.keating@hoganlovells.com)

### Timothy Tobin

Partner  
Tel direct: +1 202 637 6833  
Email: [tim.tobin@hoganlovells.com](mailto:tim.tobin@hoganlovells.com)

### Mark Brennan

Attorney at Law  
Tel direct: +1 202 637 6409  
Email: [mark.brennan@hoganlovells.com](mailto:mark.brennan@hoganlovells.com)

# www.hoganlovells.com

---

Hogan Lovells has offices in:

Alicante	Denver	Jakarta*	Munich	San Francisco
Amsterdam	Dubai	Jeddah*	New York	Shanghai
Baltimore	Dusseldorf	London	Northern Virginia	Silicon Valley
Beijing	Frankfurt	Los Angeles	Paris	Singapore
Berlin	Hamburg	Luxembourg	Philadelphia	Tokyo
Brussels	Hanoi	Madrid	Prague	Ulaanbaatar
Budapest*	Ho Chi Minh City	Miami	Rio de Janeiro	Warsaw
Caracas	Hong Kong	Milan	Riyadh*	Washington DC
Colorado Springs	Houston	Moscow	Rome	Zagreb*

"Hogan Lovells" or the "firm" is an international legal practice that includes Hogan Lovells International LLP, Hogan Lovells US LLP and their affiliated businesses. The word "partner" is used to describe a partner or member of Hogan Lovells International LLP, Hogan Lovells US LLP or any of their affiliated entities or any employee or consultant with equivalent standing. Certain individuals, who are designated as partners, but who are not members of Hogan Lovells International LLP, do not hold qualifications equivalent to members. For more information about Hogan Lovells, the partners and their qualifications, see [www.hoganlovells.com](http://www.hoganlovells.com). Where case studies are included, results achieved do not guarantee similar outcomes for other clients. Attorney Advertising.

©Hogan Lovells 2013. All rights reserved.

\*Associated offices

LIB01/C4BRW/3472223.1

Hogan Lovells