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Hogan Lovells Global Payments Newsletter
5 February 2014



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1. REGULATORY DEVELOPMENTS

1.1 **Europe:** European Payments Council mobile wallets white paper

- Following feedback on its draft white paper on mobile wallet payments published last year, the European Payments Council has now published the final version. The paper focuses on the use of a mobile wallet for payments made using a mobile phone (such as contactless and remote payments) across the Single Euro Payments Area ("**SEPA**").
- The paper analyses a number of use cases, with an updated description of the different stakeholders in the ecosystem, and more emphasis on security and key challenges to be addressed in future.

See a press release and access the white paper [here](#)

1.2 **Europe:** Regulators continue to grapple with digital currencies

- The National Bank of Belgium and Belgian Financial Services and Markets Authority have warned investors of the risks of digital currencies such as Bitcoin and litecoin, in particular, the lack of regulation and of a deposit guarantee, volatility, and uncertainty as to security and service reliability.
- The Bank of Finland has categorised Bitcoin as a commodity on the basis that it falls outside the definition of an official currency under Finnish law, and is not a payment instrument because there is no issuer responsible for its operation.
- The UK tax authority, HMRC, is reassessing the tax treatment of digital currencies. Bitcoin is currently considered a voucher, attracting VAT at 20%. In a move that may make the currency more attractive, HMRC are considering treating it as an asset or private money, which could instead incur capital gains tax.

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

1.3 **United Kingdom:** Government plans to speed up cheque processing

- The Government has announced it will consult on introducing legislation to enable people to pay in a cheque by scanning an image of it rather than having to present a paper cheque to their bank, thereby potentially speeding up the processing time to two days, instead of six.

- Barclays are piloting technology to enable customers to scan cheques using their smartphone or tablet early this year and will fully launch "cheque imaging" on its mobile banking app in the second half of 2014.

See a report [here](#)

1.4 **Africa:** Zimbabwe taxes mobile payments

- Mobile payments in Zimbabwe will be subjected to per transaction tax charges in line with taxes on ATM and point of sale transactions. The introduction of the tax reportedly follows pressure from the country's banking industry to ensure a level playing field, after Econet Wireless allegedly refused to open its EcoCash mobile money service for integration with the banking system. EcoCash currently has three million customers.

See a report [here](#)

2. **PAYMENT MARKET DEVELOPMENTS**

2.1 **Worldwide:** Overstock.com and Coinbase in partnership to accept Bitcoin

- Overstock.com, an online discount retailer, and Coinbase, a Bitcoin wallet provider, are partnering so Overstock.com customers can use Bitcoins to pay for goods on the Overstock.com website.
- Coinbase allows merchants to accept Bitcoins as payment and immediately exchange them into US dollars so that they do not have currency risks. The new payment option could prove popular because merchants accepting Bitcoin have lower transaction costs.

See a report [here](#)

2.2 **Worldwide:** SmartMetric to launch biometric Bitcoins payments card

- SmartMetric is preparing to launch a near field communications ("**NFC**") enabled card with biometric security to store and make person-to-person transfers using Bitcoins. The card, set to be released later this year, will offer a fingerprint-secured, offline storage platform for Bitcoins. An NFC chip means the card can be used with compatible phones and tablets so that Bitcoins can be transferred easily.

See a report [here](#)

2.3 **United Kingdom:** eBay to allow users to buy and sell Bitcoins

- eBay will begin to allow users to buy and sell digital currencies such as Bitcoin on 10 February this year. Owners will be allowed to list on eBay's classifieds section, although due to the use of classified ads rather than the full eBay sales platform, the transactions will actually take place outside of eBay. eBay is also yet to accept a digital currency as a form of payment.

See a report [here](#)

2.4 **United Kingdom:** Elliptic launches world's first insured Bitcoin storage

- Elliptic have set up a vault in London so that Bitcoin owners can place their private, encrypted keys to their Bitcoins in a storage service that is insured against loss and theft of the digital currency. Elliptic say that the insurance, underwritten by Lloyds of London, will pay claims using the Bitcoin to US dollar exchange rate

at the time of the claim. The ability to store Bitcoins securely using encryption and offline storage backed by insurance may be seen as a solution for the security concerns surrounding the digital currency.

See a report [here](#)

2.5 **United Kingdom:** UK lenders to offer Zapp payments in banking apps

- HSBC, First Direct, Nationwide, Santander and Metro Bank have announced they will adopt Zapp, a mobile payment facility operated by VocaLink, to use with their smartphone and tablet apps.
- Zapp is said to be more secure than many other payment alternatives because users' account details are not shared. The facility will allow customers to pay for goods and services in shops or online without the need for cash or credit cards. It also allows customers to see a real-time balance of their accounts to check if they have sufficient funds to make a purchase.

See a report [here](#)

2.6 **United States:** T-Mobile launches personal finance and mobile payments service

- T-Mobile has launched a new service called Mobile Money, offering smartphone money management applications designed for use with a re-loadable T-Mobile Visa Prepaid Card. Users will be able to use either the app or the physical card to pay for goods and will also be able to use 43,000 automated teller machines ("ATMs") to withdraw money. T-Mobile is targeting the service as a low cost alternative to cheque cashers for the "68 million people who do not have a bank account".

See a report [here](#)

2.7 **Italy:** MPayMe launches ZNAP mobile payments platform in Italy

- MPayMe has launched a new mobile payments platform called ZNAP in Italy. ZNAP allows consumers to pay at point of sale by scanning merchant quick response ("QR") codes using a smartphone app that links to pre-stored credit or debit cards. The transaction is then authenticated using a personal identification number ("PIN"). Customers can also redeem coupons and loyalty points stored in their ZNAP wallet. For businesses, it will also offer business intelligence, in-app consumer communication and offer marketing.

See a report [here](#)

2.8 **Canada:** Royal Bank of Canada ("RBC") launches cloud NFC payments service that stores customers' card details in the cloud

- RBC has launched the new RBC Wallet enabling customers to use a smartphone to make payments at any contactless point-of-sale terminal in Canada equipped with Visa PayWave or Interac Flash.
- The wallet stores customer's details in the RBC's "Secure Cloud" platform. The customer's real data is stored in servers that sit behind the RBC firewall. When a payment is made, data is encrypted and downloaded to the 'phone where it is decoded for presentation to the POS terminal.
- RBC also hopes that one day the wallet will support cash withdrawals from ATM machines and reward customers with points every time they make a payment using their mobile device.

See a report [here](#)

2.9 **India:** Bitcoin operators cautiously resume operations in India

- Indian Bitcoin platforms recently suspended operations due to increased regulatory attention. While some large operators remain suspended until a clearer framework is established, other operators are starting to resume business. (For example, Unocoin has resumed operations on a "trial basis", setting strict buying and selling limits on all accounts.)
- However, there are estimated to be 30,000 bitcoin holders in India, who possess c.1 per cent of bitcoins in global circulation. Consequently, despite the lack of regulatory clarity, there are still new entrants in India who are starting to deal in Bitcoins, such as BitQuick.In, which claims to help connect Bitcoin buyers and sellers in India directly to their own banks.

See a report [here](#)

3. **REPORTS AND SURVEYS**

3.1 **United Kingdom:** Increasing popularity of online and mobile banking

- Genpact, a business process management firm, has published its "*Changing customer expectations and the demand for new service models in banking*" report. The survey reveals that consumers now prefer to use online and mobile channels for their banking rather than branches and call centres.
- Two thirds of those interviewed revealed they would prefer to conduct their banking through customer self-directed services. Within Generation Y consumers (typically those aged between 25 and 34), this number increased to 75%. The survey also revealed that 29% had never used their bank's call centre service.

See a report [here](#)

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