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Global Payments Newsletter
7 May 2014

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

Global Payments Newsletter

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1. REGULATORY DEVELOPMENTS

1.1 **Europe:** The European Central Bank (ECB) has published a report on card payments in Europe which focuses on the Single Euro Payments Area (SEPA) for cards.

- The report aims to provide a comprehensive and up-to-date overview of the status of card payments in Europe, including the impact of new technologies.
- A press release accompanying the report states that the Eurosystem is now turning its attention to the harmonisation of card payments following the near completion of the migration of credit transfers and direct debits under the SEPA Migration Regulation (260/2012).

See the press release [here](#) and the report [here](#).

1.2 **Europe:** The draft Payment Accounts Directive has been approved by the European Parliament and the Council of the EU has stated that it will also approve it without amendment.

- The Directive aims to facilitate payment account switching, improve transparency of the fees of payment accounts and give those legally resident in the EU the right to open a basic payment account which cannot be denied on grounds of nationality or residence.
- Under the agreed text, member states will have two years to transpose the Directive into national law.

1.3 **Europe:** The European Parliament has voted on amendments to the Second Payment Services Directive (PSD2) and Multilateral Interchange Fees Regulation (MIFR).

- The move is intended to consolidate the work done so far and hand it over to the next Parliament.
- The amendments are not expected to be the final position.

See a report [here](#).

1.4 **United Kingdom:** The market investigation powers of the newly formed utility-style regulator for retail payments systems, the Payment Systems Regulator (PS Regulator), have been brought into force.

- In the 2014 Budget, the government announced that it would bring the PS Regulator's concurrent market investigation powers (that it shares with the Competition and Markets Authority) into force one year earlier than originally intended.
- The Financial Services (Banking Reform) Act 2013 (Commencement No 4) Order 2014 subsequently brought these powers, contained within the Financial Services (Banking Reform) Act 2013, into force on 1 April 2014.
- The powers include the ability for the PS Regulator to call for witnesses/documents and make market investigation references. The new regulator's remaining functions and powers are scheduled to become fully operational in April 2015.

See the Order [here](#).

1.5 **United Kingdom:** Secondary legislation concerning (i) the disclosure of confidential information collected under the PS Regulator regime and (ii) disclosure of such information to and by the PS Regulator, are published.

- The Financial Services (Banking Reform) Act 2013 (Disclosure of Confidential Information) Regulations 2014 allow for confidential information collected under the PS Regulator regime to be disclosed to and by specified persons. This is to help those persons discharge their functions and duties. See the Regulations [here](#).
- The Financial Services and Markets Act 2000 (Disclosure of Confidential Information) (Amendment) Regulations 2014 amend the above regulations to specify that the PS Regulator is a person to which and by which confidential information may be disclosed. See the Regulations [here](#).
- The two sets of Regulations come into force on 28 April 2014.

1.6 **United Kingdom:** The first members of the board of the Payment Systems Regulator are announced.

- On 4 April 2014, the FCA announced the first six members of the PSR board. The members can be viewed [here](#).

1.7 **United Kingdom:** The Payments Council has published a new code of best practice and related guidance on misdirected payments for payment service providers.

- This voluntary code is relevant to UK payment service providers that offer customers the means to make payments via Bacs, CHAPs and Faster Payments.
- The code is intended to prevent customers from making misdirected payments and, where they do, increase transparency for customers on the steps being taken by payment service providers to recover payments mistakenly made.
- The code can be relied on by the customers of subscribing payment service providers from May 2014.

See the code [here](#) and related guidance [here](#).

1.8 **Europe:** The European Commission is participating in a task force assessing the need for the regulation of digital currencies.

- The task force aims to define such currencies and assess the need for their regulation.
- The conclusions of the task force are expected by May 2014.

See the written response [here](#).

1.9 **United States:** US Attorney General Eric Holder has raised the prospect of tighter US regulation for digital currency transactions.

- Holder floated the idea before a US House Committee on the Judiciary, stating that the emergence of digital currencies poses challenges for law enforcement, given their use by criminals.
- As the use of digital currencies becomes more widespread, he said it is essential that digital currency systems are subject to and comply with anti-money laundering and know-your-customer controls.

See a report [here](#).

1.10 **United States:** US State Bank Supervisors to discuss Bitcoin at public hearing.

- A US Conference of State Bank Supervisors (CSBS), a membership organisation for US state banking regulators that liaises with Congress, has launched a taskforce aimed at investigating emerging payments issues, including Bitcoin and other digital currencies.
- CSBS's fact-finding mission will take one of its first steps on 16 May 2014, when it will hold a public hearing on emerging payment issues in Chicago.
- CSBS hopes to develop educational and training resources related to new payment mechanisms. Margaret Liu, Senior Vice President of CSBS, suggested that CSBS may in the long term discuss coordinated approaches to state regulation if necessary.

See a report [here](#).

1.11 **Brazil:** Brazil is the latest country to impose capital gains tax on digital currency transactions:

- The tax applies to those who hold R\$1,000 or more in digital currencies (around \$450/£270).

See a report [here](#).

2. PAYMENT MARKET DEVELOPMENTS

2.1 **United Kingdom:** Mobile payments system Paym is launched.

- Paym will enable customers to send and receive payments directly to a current account using just a mobile phone number.
- 360,000 customers registered for the mobile-to-mobile payments system in the first morning, and the Payments Council expects 1 billion payments to be made using Paym by 2018.
- Consumer Intelligence research found that 25% of bank customers polled said they expected to use Paym, with 39% of customers aged between 18 and 34 interested in using the service.

See a report [here](#).

2.2 **United Kingdom:** Zapp partners with FEXCO to allow more acquirers to support Zapp mobile transactions.

- The partnership enables acquirers to support Zapp transactions via FEXCO's FLASHiZ mobile payment platform, while still using an acquirer's existing point of sale hardware.
- This should make it easier for retailers to integrate mobile payments using both QR codes and NFC so their customers can use their mobiles to pay in shops, online, and pay paper invoices.

See a report [here](#).

2.3 **United Kingdom:** Hull City Council launches a 'local digital currency', HullCoin.

- The currency takes the form of digital tokens which can be stored on digital wallets on people's smartphones or computers, and used to pay council tax and for goods and services from firms signed up to the scheme. The Council hopes the scheme will eventually include major supermarket chains.
- HullCoins will have a social purpose, and will be distributed into the local economy via charities, community groups and local enterprises. They will be used as a charitable payment or as a way of recognising people's community activity.

See a report [here](#).

2.4 **Worldwide:** PayPal launches app for Samsung's wearable technology.

- The app, which is controlled via Samsung's Gear II watch, allows users to view their PayPal balance and recent transactions, receive location-based offers for nearby stores and restaurants, and pay in-store by checking in.
- Payment transactions are authenticated using the Samsung Galaxy S5's finger print scanner which is paired to the Gear II.
- As PayPal's digital wallet is in the cloud, the solution is effectively device-agnostic and similar apps can easily be rolled out to alternative hardware/technology.

See a report [here](#).

2.5 **Worldwide:** MEVU's payments bracelet enables motion-based Bitcoin payments.

- MEVU has developed a wearable Bitcoin wallet that is designed to let users pay using their digital coins with just a wave of the hand, and is expected to start taking pre-orders for it within a month.
- The device is envisaged as being most suitable for smaller transactions, such as parking, tipping and small purchases, as it is unlikely that users would want to make larger payments without further authentication.

See a report [here](#).

2.6 **Canada:** Royal Canadian Mint is looking to sell its fledgling digital currency, "MintChip".

- In April 2012 it was announced that "MintChip" was to be developed for use in small online payments, and in February 2014 the Mint entered into agreements with SecureKey Technologies Inc. and Ingenico SA to support its development.
- However, the Mint has now halted development on the basis that its virtual currency plans had "matured" and that turning development over to the private sector was a "natural next step" for MintChip.

See a report [here](#).

2.7 **China:** Alipay to invest in mobile payments security.

- The payment unit of the Alibaba Group plans to create an online payment security investment fund with a CYN 40 million investment.
- The fund, which will be created with other companies, will focus on mobile payments and will invest in companies that are researching software that defends against phishing websites, Trojan horse malware, and other malicious online software.

2.8 **China:** Crackdown by Chinese banks causes Bitcoin price to plummet.

- Chinese banks have followed through on their promise to crack down on local Bitcoin exchanges with exchanges receiving official deposit shutdown notices from the banks. The action initially led to the value of Bitcoin falling 20% to under \$400.
- Although minimal disruption has been caused to Bitcoin users in the country, as Chinese exchanges have alternative channels (third-party payment processors, pre-paid cards and vouchers) at their disposal to move money in and out of exchanges without requiring direct access to bank accounts, this may represent the start of wider controls imposed on Bitcoin exchanges.

See a report [here](#).

2.9 **Finland:** Mobile operator Elisa introduces reloadable NFC payment stickers.

- The stickers are available to purchase from R-Kioski convenience stores and are pre-loaded with €20. They work with Elisa's Lompakko wallet service.
- To purchase a sticker, consumers must be 15 years old and provide a Finnish social security number and a Finnish mobile phone number (from any carrier). The stickers can be activated via SMS.

See a report [here](#).

2.10 **France:** BNP Paribas's improves mobile payments app functionality.

- The app, KIX, allows contactless payments to be made using a mobile phone as a payment device. It is compatible with NFC SIM cards and is claimed to offer the same level of security as a bank card.
- The new version enables payments of up to €300 per transaction, subject to a monthly limit of €1,500. For payments of €20 or over, users must enter a PIN on their mobile phone.

See a report [here](#).

2.11 **Japan:** Sunlot moves to halt liquidation of the Mt.Gox Bitcoin exchange.

- The Sunlot group of investors has received approval from its North American and European creditors for its plan to halt the liquidation of bankrupt Bitcoin exchange Mt. Gox.
- Sunlot is hoping that the additional support will pressure Japanese bankruptcy authorities to cease liquidation of Mt.Gox in favour of a sale to new owners.
- Sunlot's proposal would give Mt.Gox customers a 16.5% interest in the revived exchange with the aim of incentivising continuing use of the exchange by those who lost Bitcoin when it collapsed.

See a report [here](#).

2.12 **United States:** Coupons.com allows users to add coupons directly to payment cards.

- Using the Coupons.com website or Coupons.com mobile apps, shoppers can add digital coupons their credit/debit cards from Visa, MasterCard or American Express for automatic redemption at checkout.
- The Coupons.com card-linked platform, CardLink iQ, is a pay-for-performance model that lets merchants directly tie online marketing spend to purchases, and provides detailed real-time reporting to measure campaign performance.

See a report [here](#).

3. REPORTS AND SURVEYS

3.1 **Worldwide:** Research shows that mobile payments M&A deals have dropped but the market is poised for rapid growth.

- The research, from Mooreland Partners, showed that the number and total value of M&A deals in the mobile payments sector dropped significantly in 2013 from 2012.
- From 2009 to 2013 there were 74 reported M&A deals in the sector and 158 investments announced during the same period. In 2012 there were 26 M&A deals which declined to 15 in 2013.
- Mooreland suggest that the sector is poised for dramatic growth over the next few years in banking, retail and mobile payments as consumers shift towards using mobile banking technology and there is further innovation in contactless payment.

See a report [here](#).

3.2 **Worldwide:** The global value of mobile payments is set to rise this year.

- A report by Juniper Research suggests that the value of global payments via mobile devices will reach around \$507 billion this year, a rise of nearly 40% year-on-year.
- Growth will continue to be driven by purchases of physical goods via mobile devices, in particular via tablets.
- However, there have been few commercial launches in contactless mobile payments but with the introduction of HCE (Host Card Emulation) growth is likely in the medium term. In addition with the majority of POS (Point of Sale) terminals now being issued with integrated contactless functionality more growth is likely.

See a report [here](#).

3.3 **Worldwide:** Airline executives believe expanding the use of mobile payments in flight is a priority.

- A survey by WolrdPay has found that 83% of airline executives believe that upgrading and expanding mobile payment technology's usability in-flight is a major priority for their company.
- It predicts that airlines offering in-flight mobile payments are set to jump over the next two years, increasing from 5% now to 36% by 2016.

See a report [here](#).

3.4 **Europe:** MasterCard reports a 180% year on year increase in contactless payment uptake in Europe for the twelve months ending December 2013.

- Contactless acceptance of MasterCard is now available in 34 European countries.
- MasterCard and Maestro contactless cards or devices have been issued by more than 220 financial institutions in Europe and can be used at almost 2 million merchant locations worldwide.

- The number of contactless transactions across Europe has more than tripled and the volume spent on those transactions has increased four times year on year over the same period.

See a report [here](#).

3.5 **United States:** Mobile payments growing, but at a slower pace according to a report by IDC Financial insights.

- The report details how US consumers use emerging payment methods and technologies.
- Online bill payment continues to show strong adoption with 70% of consumers reported using electronic bill payment.
- 37.2% of consumers reported using a mobile payment method of some kind which indicates a slower growth rate than previous years. .
- PayPal Mobile remains the most frequently used mobile payment method with 58.6% of consumers polled using PayPal.

See a report [here](#).

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