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Hogan Lovells Global Payments Newsletter
8 August 2013

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1. REGULATORY DEVELOPMENTS

1.1 United Kingdom: Office of Fair Trading ("OFT") reports on payment systems regulation

- In April we reported on HM Treasury's ("HMT") consultation, *Opening up UK payments*, which proposes a new regulatory regime for UK retail payment systems and their participants. As part of its programme focused on the retail banking sector, the OFT has now published its own report on enhancing competition and innovation in UK payment systems.
- The OFT supports HMT's proposed "paycon" style regulation and has a number of recommendations about how the regulator could improve competition in this sector. These focus on:
 - Minimising barriers to entry to payment systems for those with indirect access to existing payments systems and new providers. This could include the regulator setting minimum terms of access, including service levels, having the powers to review pricing, and ensuring an effective redress mechanism is in place.
 - Incentivising investment in existing payment systems through choice and broader access. For example, the regulator could relax rules so that recognised electronic payment systems could process more than one payment type. This would lead to more meaningful competition between existing systems.
- The OFT also urges HMT to continue to consider appropriate ways to regulate payment card networks concurrently with the proposed Regulation on Multilateral Interchange Fees (2013/0265 (COD)) given its uncertain timeframes. The OFT suggests principles that may help inform this review, including preventing tying (where merchants have to accept 'all cards'), transparency and predictability of costs, and the potential power to regulate pricing.

See the report [here](#)

2. PAYMENTS MARKET DEVELOPMENTS

2.1 Europe: MasterCard mobile wallet moves to Europe: UK the first stop

- MasterPass, MasterCard's wallet service, already available in the US, Australia and Canada, has now launched in the UK. A number of major retailers including Boots.com and House of Fraser have signed up, as well as various others both on the high street and online.
- The free service allows customers to store payment credentials, loyalty cards, billing and shipping addresses all in one place. Competitor credit cards, debit and prepaid cards can all be added to the wallet.
- MasterCard has focused on security and simplicity. When shopping online customers click on the "MasterPass" button at the checkout to access their wallet and authenticate a transaction with a password. There is no need to enter credit card details. In-store the wallet may be used to make payments via the scanning of quick-response ("QR") codes, and soon, by near-field communications ("NFC").
- MasterPass will also be available to retailers, banks and others so they can provide own branded wallets or link existing wallets to the MasterPass acceptance network.
- It will be interesting to see whether the wallet can help drive customer adoption and lower online shopping cart abandonment, which MasterCard estimates cost retailers up to £6 billion in the first quarter of this year.

See a report [here](#)

2.2 United Kingdom: Moneto brings NFC payments to the iPhone

- Payments technology provider, Kalixa Group, has launched Moneto, to enable iPhone users to make contactless payments by NFC.
- Customers receive an NFC-enabled microSD (micro secure digital) card, providing the secure element for storage of payment credentials, and a protective iPhone case for embedding the NFC technology. Once the customer has downloaded the mobile wallet app, they can load funds on to their Moneto prepaid account. The customer will also receive a physical card for use where PayPass is not available and for online purchases.
- Customers will be able to make NFC purchases up to £20 at MasterCard PayPass point-of-sale ("POS") terminals and also make free transfers to other Moneto users. The mobile wallet will also allow customers to locate nearby stores that have PayPass POS terminals, manage their balance and view their transaction history.
- While initially only available on the iPhone, there are plans to offer Moneto for devices running the Android operating system. However, will consumers be willing to pay the up-front costs for the service?

See a report [here](#) and Moneto's website [here](#)

2.3 **United States:** World's largest restaurant reservation service to add mobile payments to the menu

- OpenTable, which lets customers book tables at 28,000 restaurants across the world online or via its app, is testing a service which would let customers pay for their meal using a mobile payments app. It has identified a number of practical issues to resolve, following which it plans to launch the service in San Francisco by the end of the year.
- Reportedly, OpenTable would not charge the customer or the restaurant any additional fees for making or taking the payments.

See a report [here](#)

2.4 **United States:** Isis mobile payment service to roll-out nationwide this year

- Isis, the venture between three major US mobile network operators ("**MNOs**"), Verizon, AT&T Inc and T-Mobile US, has announced that will expand its mobile payments service across the country this year following trials in Utah and Texas.
- Isis has been creating a standard platform that will be open to banks, handset providers and retailers. The service will enable customers to store payment credentials, coupons and loyalty cards in a mobile wallet and make NFC contactless payments.
- So far the roll-out has been slower than expected but Isis appears to think the time is right now that NFC is starting to gain a critical mass of retailers and smartphones supporting the technology.
- Isis has also released some insights from the existing trials showing strong engagement during the pilots. Two thirds of active users opted in to receive offers, following an average of seven brands each. Such users also used the wallet twice more than users who only used the service for payments.

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

2.5 **United States:** ExxonMobile piloting mobile payment app in Nashville

- Exxon Mobil Corp. is piloting its new "Speedpass+" mobile payment smartphone app in Tennessee. SpeedPass+ is designed to make paying at the pump quick and convenient, using geo-location technology to detect and activate a pump before the customer starts loading fuel. The customer can link their existing payment card credentials to the app.

See a report [here](#)

2.6 **Canada:** NFC payments in the cloud launched

- Canadian bank, RBC, is introducing an NFC contactless payments service which stores customers' RBC card details in the cloud (rather than on the phone), with the data being sent to the phone by encrypted single use token each time the customer makes a purchase. The bank believes that this will make for faster and more secure service.

- The service will be available on a variety of smartphones, and will in due course expand to allow payments from cards issued by other banks, and to allow contactless payments based on QR codes (as well as NFC).

See a report [here](#)

2.7 **India:** New tie-up to allow electricity bill payment by SMS

- Electricity provider, BEST, has announced a deal with a third party aggregator Money Mobile Payment Limited ("**MMPL**") to provide BEST customers with mobile wallets (including a prepaid account) enabling them to pay their electricity bills by SMS.
- The aim is to make payments more convenient and accessible; currently BEST's electricity customers can make payment online, through an electronic clearing system or by cash and cheque at billing centres. With relatively high feature phone penetration in India and a high unbanked population, this new channel for payment could prove to be popular.

See a report [here](#)

3. **SURVEYS AND REPORTS**

3.1 **United States:** Mobile payments milestone for major coffee chain

- Starbucks has announced that during the last quarter, mobile payments constituted over 10% of in-store purchases. Starbucks' own mobile app as well as Apple's Passbook and the Square Wallet, were popular methods of payment.

See a report [here](#)

3.2 **China:** Dramatic increase in mobile payments predicted

- According to an industry report from the Internet Society of China, the Chinese mobile payment sector will handle payments worth more than US\$1.45 trillion by 2015.
- This reflects the massive growth in the industry, which already increased by 265% in 2012 to approximately US\$130 billion. Online payments also continue to grow, reaching almost US\$600 billion in 2012.

See a report [here](#)

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