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Global Payments Newsletter
2 September 2014

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

Global Payments Newsletter

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1. REGULATORY DEVELOPMENTS

1.1 **Europe:** European Central Bank identifies systemically important payment systems.

- The ECB is required to identify systemically important payment systems under EU Regulation 795/2014 on oversight requirements for systemically important payment systems (the "SIPS Regulation"). This Regulation entered into force on 12 August 2014.
- The Regulation covers large-value and retail payment systems in the euro area operated by both central banks and private entities and is intended to ensure that designated payment systems operate smoothly and efficiently, in accordance with the Regulation's strict conduct of business requirements. It also provides for sanctions and corrective measures for those system operators that do not adhere to the Regulation.
- The following payment systems were identified:
 - TARGET2, operated by the Eurosystem;
 - EURO1 and STEP2-T, operated by EBA CLEARING; and
 - CORE(FR), operated by STET, a joint initiative of six major French banks.
- Designated payment systems have one year from the date of designation by the ECB to comply with the requirements of the Regulation.
- The relevant "competent authorities" are expected to regularly assess the compliance of these systems with the SIPS Regulation.

See a report [here](#).

1.2 **Europe:** SEPA successfully implemented for credit transfers and direct debits.

- On 1 August 2014, the ECB published a press release announcing that the Single European Payments Area (SEPA) has been successfully implemented for credit transfers (SCT) and direct debits (SDD) in the euro area.

- The SEPA Regulation (Regulation 260/2012) aims to create an EU single market for retail payments. It was amended by Regulation 248/2014 which allowed for a transitional period of six months, from 1 February 2014 until 1 August 2014, during which banks and other payment service providers were able to continue processing payment orders even if the correct SEPA format was not used.

See the press release [here](#).

1.3 **Europe:** Payment Accounts Directive (PAD) published in the Official Journal.

- On 28 August PAD was published in the Official Journal of the EU.
- It will come into force on 17 September 2014 and must be transposed by Member States into national law by 18 September 2016.

See the Directive [here](#).

1.4 **United Kingdom:** "Retry" process to be extended to other banks/building societies from 1 September 2014.

- Banks/building societies participating in the process commit to "retry" debiting a customer account later the same day, after a Standing Order, Direct Debit or Future-Dated Payment "bounces" due to insufficient funds.
- It ensures customers do not incur late payment fees with third parties or lose out on goods and services if the customers initially have insufficient funds when the payment is taken but then top up their account with cleared funds before the debiting of the account is retried.
- All participating banks and building societies will give customers until at least 2pm to pay cleared funds into their account but may choose to be more generous to their customers.
- The process only applies to pre-notified payments and therefore cheques are out of scope (unless a participating bank or building society opts to include them).
- The retry process was initially the result of a collaborative banking industry initiative led by the Payments Council. It builds on an agreement reached in June 2013 between the FCA and seven of the UK's biggest high street banks.

See a press release [here](#), the Payments Council webpage [here](#) and a consumer guide [here](#).

1.5 **United Kingdom:** Bank of Scotland not liable for CHAPS transfer to wrong payee.

- The Court of Appeal on 31 July 2014 found that Bank of Scotland was not liable to return funds to Tidal Energy following a CHAPS payment sent to the wrong payee.
- Tidal Energy had been subject to a fraud and provided a sort code and account number which did not match the name of the account. In accordance with standard procedures, Bank of Scotland did not obtain verification from the payee's

bank that the beneficiary named in the payment instruction was the name on the receiving account.

- The case was decided purely on the construction of contractual terms.
- This case did not come within the scope of the Payment Services Regulations 2009 and no comment was provided as to whether the position would be different under the Regulations.

See the judgment [here](#).

1.6 **Virtual Currencies:** British government to explore role of digital currencies in financial services sector.

- George Osborne, the Chancellor of the Exchequer, speaking at an Innovate Finance conference in London on 6 August 2014, stated that the British government is investigating the digital currency industry to encourage innovation in the UK's financial services sector.
- This is to ensure that the country remains the "global centre of financial innovation".
- Specifically, the investigation will look into whether digital currencies should be regulated, how they could help stimulate innovation and the potential risks associated with their use.

See a report [here](#).

1.7 **Virtual Currencies:** Bitcoin transactions over \$10,000 to be subjected to capital gains tax.

- The value threshold means that payments made by individuals are, in most cases, likely to remain non-taxable. The tax is intended to bite business transfers.
- The tax is "effective immediately".

See a report [here](#).

1.8 **Virtual Currencies:** The Consumer Financial Protection Bureau (CFPB) is to monitor firms dealing in digital currencies.

- The CFPB is to solicit complaints about these firms from the general public. These complaints will provide a starting point for the Bureau to identify which firms may be breaching relevant federal consumer protection laws.
- The complaints could, therefore, prove to be a pre-cursor to the CFPB taking enforcement action against non-compliant firms.
- The CFPB could additionally decide to enact new rules to govern digital currency products, for example, digital currency exchanges.

See a report [here](#).

2. PAYMENT MARKET DEVELOPMENTS

2.1 **Worldwide:** GoCoin's email and SMS billing feature to make it easier for merchants to accept digital currencies.

- The new feature allows merchants using the GoCoin Dashboard to quickly create invoices and request payment from customers via email or SMS.
- For SMS invoices, customers receive a link in the invoice which, if clicked, launches their digital currency wallet, from where they can then select their preferred currency and make a payment.

See a report [here](#).

2.2 **Worldwide:** Security experts warn that digital currencies are "ripe for exploitation".

- The warning comes after two recent cyber-attacks, one involving redirection of Internet traffic, the other misappropriation of computing resources for currency mining purposes.
- While detailed information about the attacks has not been disclosed, researchers estimate that at its peak, the hackers responsible for one of the attacks were able to steal \$9,000 worth of Bitcoin a day.

See a report [here](#).

2.3 **Worldwide:** PayPal unveils one-touch mobile payments.

- The aim of this development is to:
 - remove some of the annoyance consumers face when trying to enter payment details on the small screens of smartphones; and
 - encourage those new to mobile payments to use participating merchants' apps to complete transactions.
- To utilise one-touch payments, merchants need to use software development kit from Braintree (another eBay company) in order to integrate PayPal's solution into the payment flow in its app.
- Consumers will only have to enter their payment details once. For all future purchases through a participating merchant's app, the consumer will only have to press a "buy" button to complete the purchase.

See a report [here](#).

2.4 **India:** Barclays' Pingit facilitates international payments with launch in India.

- The launch allows users in the UK to send payments to contacts in India needing only the payee's mobile number. Neither senders nor recipients need to be Barclays customers.
- The UK – India remittance market is very significant for UK to overseas remittances, as it is worth over £2.5 billion.

- There is a minimum transaction of £25 and a maximum of £1,500. Payments may take up to 48 hours to complete.

See a report [here](#).

2.5 **United States:** OpenTable expands roll-out of mobile payments to NYC.

- OpenTable has a popular app for restaurant reservations. The mobile payments functionality will allow users in restaurants to:
 - see a detailed view of their bill;
 - give adjustable tips (by percentage);
 - receive emailed receipts; and
 - use payment cards that may include those the restaurant itself does not accept.
- With an estimated existing user base of millions of smartphone users, OpenTable has a potential head start over other in-restaurant mobile payment solutions.
- The company expects to expand the service to 20 more cities this year.

See a report [here](#).

2.6 **United States:** eGifter launches aggregation service for discount coupons and offers.

- The new service allows those who have purchased digital gift cards through eGifter, or scanned physical gift cards into their eGifter mobile wallet, to automatically access all the relevant special offers and discounts which apply to the brands on which the gift cards can be used.
- The service also enables merchants to create targeted offers which are designed to reach specified audiences (grouped by, for example, location, age or gender).
- A number of well-known brands, such as Gap and Home Depot, have signed up to the service.

See a report [here](#).

2.7 **United States:** Amazon builds presence in brick-and-mortar stores with its "Local Register" service.

- This new service allows merchants to accept payments via a smartphone-compatible payment card reader. Smaller merchants seem likely to be the main target market for the service.
- Reports believe the service is aimed at:
 - establishing an Amazon presence in physical stores; and
 - gaining wider access to customer spending data.

- Amazon aims to encourage merchant uptake of the service by charging lower processing fees than its main rivals until early 2016, provided that merchants sign up by October 2014.

See a report [here](#).

2.8 **United States:** Quisk secures US patent for "account lock feature".

- This is a security feature for Quisk's own digital cash payment platform (for which it is also seeking patent).
- The feature essentially enables consumers to set a customisable level of security on their account. The individual level of security within the "account lock" can be activated or deactivated at any time.

See a press release [here](#).

3. REPORTS AND SURVEYS

3.1 **Worldwide:** Integrated loyalty features are key to the widespread adoption of mobile payments.

- A study by Accenture of North American consumers has found that:
 - customers can be incentivised into using mobile payments (many of those surveyed who stated that they had security/privacy concerns with such payments or believed there were other more convenient payment methods stated that they would reconsider if enticed);
 - if merchants were to offer value added tools to encourage the use of mobile payments, they would also attract more valuable customers;
 - 60% of customers who already use mobile payments would do so more often if they received instant coupons; and
 - 36% of customers would give out their personal information in exchange for coupons.
- Not only must merchants provide value added loyalty programs to encourage uptake, but increasingly customers require these programs to be personalised. An example is apps which utilise a customer's location to highlight specific offers available to those customers at stores nearby.
- The lack of these schemes at present, along with security and privacy concerns, the lack of necessary mobile payments infrastructure and the convenience of established payment methods, are responsible for the lack of adoption of mobile payments.

See a report [here](#) and a summary of the results of the Accenture survey [here](#).

3.2 **United Kingdom:** Paym signs up 1 millionth customer.

- This milestone was reached on 31 July 2014. Users have transferred more than £6.5 million in funds since the service was introduced in April this year.
- By the end of 2014, the service will be available to 9 out of 10 UK current account holders.
- Research by TNS of 2,000 UK adults suggests:
 - the service has raised public awareness of mobile payment solutions (from 45% to 75% within a week of its launch);
 - 65% of those already using Paym are confident of its ability to safely and securely transfer money.

See a report [here](#).

3.3 **Asia:** Urbanisation in the region is driving the growth in interest in mobile payment services.

- A report by Ericsson ConsumerLab studied the interest in and adoption of mobile payments in Bangladesh, Indonesia and Vietnam.
- It found that while there are relatively high levels of interest in and awareness of mobile payments services in those countries (notably in Bangladesh, where 97% of people showed an interest and 100% were aware), hardly any of those surveyed had actually used the services (4% in Bangladesh).
- The growth in interest is believed to be due to the increased urbanisation of the population. People from the rural areas of the countries are increasingly moving to the cities to look for employment. Their families remain in the rural areas, and so those that move to the cities need payments infrastructure which allows them to transfer money back home efficiently.
- Further, the interest is also a result of the countries (involved in the survey) still having cash-based economies. Such economies have associated risks and impracticalities, for example, the risk of counterfeit money and the impracticality of staying at home in anticipation of a bill collector coming to collect monies owed.

See a summary report [here](#) and the research report [here](#).

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