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Global Payments Newsletter
December 2014

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Global Payments Newsletter

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1. REGULATORY DEVELOPMENTS

1.1 Europe: PSD2 Compromise Texts.

- The EU Presidency has finalised the compromise text for PSD2 and published the final version on 1 December 2014.
- Two compromise texts were published prior to the final compromise text on 31 October and 21 November 2014.
- The EU Presidency is now seeking a mandate from the Permanent Representatives Council to conduct negotiations with the European Parliament with a view to reaching an agreement at first reading.

See the final compromise text [here](#) and the 31 October compromise text [here](#) and the 21 November compromise text [here](#).

1.2 Europe: EBA consults on draft guidelines on national provisional lists of the most representative services linked to a payment account and subject to a fee.

- On 5 November 2014, the European Banking Authority (EBA) published a consultation paper (EBA/CP/2014/34) on guidelines on national provisional lists of the most representative services linked to a payment account and subject to a fee.
- The EBA has been mandated to issue these guidelines under the Payment Accounts Directive (PAD). PAD requires Member States to appoint competent authorities to develop provisional lists of at least 10 and no more than 20 of the most representative services linked to a payment account that are subject to a fee offered by at least one PSP at national level.
- The guidelines set out how competent authorities should apply the criteria to establish a provisional list, what factors they should take into account, how they should report their list of the most representative services to the EBA and the Commission, and what supportive data should be obtained.
- The EBA has to issue the guidelines by 18 March 2015.

- Member States must notify their provisional lists to the Commission and the EBA by 18 September 2015.
- The EBA is mandated to develop draft regulatory technical standards (RTS), by 18 September 2016, setting out the EU standardised terminology for those services that are common to at least a majority of member states.
- The closing date for comments is 9 January 2015.

See the consultation [here](#).

1.3 **Europe:** EBA consults on guidelines on product oversight and governance arrangements for retail banking products.

- On 10 November 2014, the European Banking Authority (EBA) published a consultation paper (EBA/CP/2014/37) on guidelines on product oversight and governance arrangements for retail banking products.
- The draft guidelines apply to manufacturers and distributors of retail banking products. This includes mortgages, credit cards, savings products, payment services and current accounts.
- The guidelines require firms to establish internal arrangements for the design, marketing and life cycle maintenance of products and are aimed at ensuring that products are designed to meet the interests, objectives and characteristics of their target markets.
- The guidelines are forward-looking in nature; they do not simply address past failings but provide a framework for robust and responsible product design and distribution to avoid future cases of detriment.
- The deadline for responses is 10 February 2015. The EBA expects to publish its final guidelines in the second quarter of 2015, with a deadline for implementation set at 1 April 2016.

See the consultation [here](#).

1.4 **United Kingdom:** Competition and Markets Authority (CMA) decides not to progress interchange fee investigations at this time.

- On 4 November 2014, the CMA announced that it has decided that at this time it will not progress its investigations into Visa and MasterCard interchange fees towards deciding whether or not to issue statements of objections.
- Its decision is due to the European Commission's proposed interchange fees regulation.
- The CMA emphasises that its investigations remain open. If it were to consider that the interchange fees regulation would not address the suspected harm as expected, it would look again at continuing pro-actively with the investigations.
- The CMA noted that:
 - MasterCard has decided:

- To reduce the interchange fees applicable to its 'premium' cards down to the level of its 'standard' credit card fees on or before 1 April 2015, regardless of whether the interchange fees regulation is adopted, and
- Once the interchange fees regulation enters into force, to implement graduated reductions of its consumer credit interchange rates ahead of the caps that are laid down in the regulation taking effect.
- With effect from 1 March 2015, Visa's interchange fees for UK domestic consumer debit card transactions will be revised to 0.2%+1p with a maximum cap of 50p for secure transactions and 0.2%+11p with a maximum cap of £1 for non-secure transactions.

See the announcement [here](#).

1.5 **United Kingdom:** Payment Systems Regulator (PSR) consults on new regulatory framework for UK payment systems.

- On 13 November 2014, the PSR issued a consultation paper (PSR CP14/1) on a new regulatory framework for payment systems in the UK.
- The consultation sets out how the PSR proposes to regulate the payments industry when it becomes fully operational on 1 April 2015. It also explains how it intends to implement and enforce its requirements.
- The PSR's policy proposals relate to:
 - Industry strategy (including setting up a new Payments Strategy Forum)
 - Ownership, control and governance of payment systems
 - Direct access to payment system operators
 - Indirect access to interbank systems
 - Interchange fees; and
 - Regulatory tools (e.g. principles & guidance).
- The consultation closes to responses on 12 January 2015. The PSR will consider the responses and intends to publish its final policies, processes and priorities in a policy statement by the end of March 2015.
- The PSR will also launch two market reviews by April 2015 focusing on ownership of payment systems and indirect access to payment systems.

See the consultation [here](#).

1.6 **United Kingdom:** FCA publishes responses to call for inputs on UK payment systems regulation.

- On 13 November 2014, the FCA published the responses it has received to its call for inputs on the current state of the payments systems landscape in the UK, to help the new PSR develop its regulatory approach and identify early priorities for action.
- Bodies that the FCA has received responses from include the Association of British Credit Unions Limited, Bank of England, Building Societies Association, Department for Work and Pensions, Financial Services Consumer Panel Payments Council and UK Cards Association.

See the Call for Inputs [here](#) and the responses [here](#).

1.7 **United Kingdom:** Ofcom and PSR study on innovation in UK consumer electronic payments.

- On 13 November 2014, Ofcom and the PSR published a joint study on non-bank and collaborative financial sector-led innovations in UK payments and the communications technologies that enable them.
- Although the study found high levels of innovation in consumer and merchant payments, it also found that the payments industry displays characteristics which may constrain innovation, such as:
 - High security and resilience requirements associated with providing payments services;
 - Network effects and economies of scale that make entry difficult;
 - High levels of uncertainty about future industry and regulatory developments; and
 - The fact that incentives driving take-up and development of payment innovations do not always align across consumers, merchants, communications firms and financial institutions.
- Ofcom and the PSR have identified a number of areas that warrant consideration in support of good consumer outcomes and to help stimulate potential innovation and competition. These include ensuring access to payment systems and dealing with concerns about vertical integration between retail banks, payments systems and the underlying payments infrastructure giving rise to aligned incentives and restricting the ability of third parties to enter or innovate in payments systems or services.
- The study will be used by Ofcom and the PSR to inform their future work programmes, but does not contain any policy recommendations.

See the study [here](#).

1.8 **Worldwide:** GSMA publishes code of conduct for mobile money providers.

- On 6 November 2014, the GSMA (the global trade body for the mobile industry) published a code of conduct for mobile money providers, together with a frequently asked questions document (FAQs).

- The code outlines a series of minimum requirements that take the form of principles. The principles are aimed at promoting mobile money providers' adoption of consistent risk-mitigation practices in certain critical business areas.
- Adoption of the code is voluntary. However, the GSMA strongly encourages all members offering mobile money services to endorse the code and commit to implementing the principles set out in it.

See the code of conduct [here](#) and FAQs [here](#).

1.9 **Virtual Currencies:** HM Treasury launches Call for Information on digital currencies.

- On 3 November 2014, HM Treasury launched a Call for Information on the benefits and risks of digital currencies.
- The scope of the Call for Information is digital currencies, with a focus on digital currencies in their function as a payment method, rather than as a speculative investment. A digital currency scheme is one which incorporates both a decentralised payment system and a related currency with all the schemes having a publicly visible ledger which is shared across a computing network. Virtual currencies are excluded from scope.
- The government is specifically seeking information and views on the market generally, the benefits and risks that might come with using digital currencies.
- The government will then make a decision on whether it needs to intervene in the digital currency market.
- Comments must be made by 3 December 2014.

See the Call for Information [here](#) and the press release [here](#).

1.10 **Virtual Currencies:** French Regulators focus on the risks of Bitcoin.

- On 4 November 2014, the Autorité de Contrôle Prudentiel et de Résolution (ACPR) held a conference on the challenges arising with the emergence of new payment services and digital currencies.
- The goal of the conference was to clarify the ACPR's stance on licensing and reporting requirements faced by businesses in new payment services.
- ACPR presented a slideshow which identified 70 risks associated with Bitcoin and one benefit – lower transaction costs.

See the slideshow [here](#) (in French).

1.11 **Virtual Currencies:** Russia reduces proposed financial penalties for digital currency use and promotion.

- Last month, the Ministry of Finance of the Russian Federation released a draft bill which detailed a series of administrative fines to be imposed on both businesses and private citizens who issue, create or deliberately disseminate information about the release or operation of digital currencies.

- An updated bill has been released which reduces the financial penalties.

See the draft bill [here](#) (in Russian).

2. PAYMENT MARKET DEVELOPMENTS

2.1 **United Kingdom:** Sainsbury's pilots mobile shopping and payments app.

- Sainsbury's is piloting an app which allows customers to create shopping lists which are used to help navigate them around the shop, guiding them to the items they want. Shoppers scan their goods with their phones and then pay with the app, avoiding checkout queues.
- Pilot schemes will be launched with internal teams before a rollout to Nectar cardholders next year.

See a report [here](#).

2.2 **United States:** Burger King partners with PayPal for mobile payments.

- Through a partnership with Tillster Inc., Burger King will add a PayPal mobile payments option to its mobile app.
- The new payment option will roll out to all US locations at the end of this quarter.

See a report [here](#).

2.3 **United States:** Snapchat partners with Square for payment service.

- The new service, 'Snapcash', allows Snapchat users to link their debit cards to their account and quickly send money to a contact by starting a chat on a smartphone.

See a report [here](#).

2.4 **United States:** Twitter introduces 'Twitter Offers' in the US.

- The new service allows users to add offers to their credit or debit card, and redeem in real time using the card in store.
- No coupons are required to be produced in store as the offer is tied to the card.

See the press release [here](#).

2.5 **France:** French banks to pilot Host Card Emulation (HCE) payments.

- Visa Europe has partnered with payment and transaction services provider Worldline to pilot NFC mobile payments using HCE with four French banks in the first quarter of 2015.
- The service will be offered via a dedicated app or integrated into an existing mobile banking app.

See a report [here](#).

2.6 **India:** Uber introduces new wallet-based payment system.

- Uber has introduced a wallet-style payment system in India powered by Paytm.

- The payment system is designed to comply with recent regulations requiring all online transactions to pass through domestic payment systems.
- Customers pay for their Uber ride using the wallet which had been pre-paid using their debit card, credit card or net banking account.

See a report [here](#).

2.7 **Worldwide:** Worldpay to acquire SecureNet.

- Worldpay announced it is to acquire SecureNet Payment Systems in a deal which is to be finalised in December 2014.
- SecureNet features a network of more than 100 referral and integrated partners and relationships with more than 17,000 merchants.

See a report [here](#).

2.8 **Worldwide:** Moneygram and Safaricom sign money transfer deal.

- MoneyGram and Safaricom, have jointly launched a service that enables consumers in over 90 countries outside Kenya to send money directly to M-Pesa, a mobile money transfer solution.
- The Moneygram customer will make the transaction in the normal way with the M-Pesa customer receiving a SMS confirming that the funds have arrived and then collecting the cash from an M-Pesa agent.

See the press release [here](#).

2.9 **Worldwide:** American Express introduces tokenization and HCE services.

- The American Express Token Service replaces card account numbers with unique “tokens,” which can then be used to complete payment transactions online, in a mobile app or in-store with a mobile NFC-enabled device.
- American Express also announced that it has developed network specifications for HCE. This provides card issuers with additional security options and solutions for payments made with certain mobile NFC-enabled devices. Card issuers use a secure cloud server to store their customers' card account details, which can then be transmitted to an NFC-enabled device for use at point of sale.

See a report [here](#).

2.10 **Worldwide:** Starbucks to accept Microsoft Band wearable payments.

- Starbucks is to begin accepting payments from customers wearing the new Microsoft Band smart bracelet.
- To use the service, customers link their Starbucks Card to their Band and can then present a barcode displayed on the wearable device to the cashier for payment processing.

See a report [here](#).

2.11 **Virtual Currencies:** Bitpay launches NFC payment.

- Bitpay has launched a point of sale app which allows merchants to accept bitcoin payments on a mobile device.

See the press release [here](#).

3. REPORTS AND SURVEYS

3.1 **United Kingdom:** Worldpay reports 150% rise in UK contactless transactions in last six months.

- Worldpay reported that it handled 16.69 million contactless transactions in October compared to just 6.65 million in April this year.
- Supermarkets account for 44% of all contactless transactions, and fast food outlets process 24% of all transactions.
- Total transaction volumes using contactless have increased by 1591% in the past two years.

See the report [here](#).

3.2 **United Kingdom:** More than half of UK consumers now regularly use digital wallets.

- A survey of 2,000 UK adults commissioned by Skrill found that 54% of UK consumers now often or always use digital wallets to pay for goods online.
- More than 14% of 18-24 year olds now use digital wallets for every purchase they make online. However, 37% of those aged 55 and above admitted to never having used a digital wallet to pay for goods and services online.
- 17% of 18-24 year olds who shop on the high street now pay for goods or services in-store with a mobile device, contactless reader, text service or a sensor that determines their location via their phone.

See a report [here](#).

3.3 **United States:** North American consumers embrace mobile payments and virtual currency.

- A recent Accenture survey of 4,000 consumers in the US and Canada found that 40% of North American consumers have used their smartphones to make a payment at a merchant location.
- The two most cited reasons for not using such payment methods were:
 - Security concerns (57%) and
 - Privacy concerns (45%).
- The study also found that 8% of respondents use digital currencies to complete a payment transaction at least weekly, and 18% expect they will use digital currencies at least weekly by 2020.

See a report [here](#).

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