



**Hogan
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Global Payments Newsletter
2 July 2014



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1. REGULATORY DEVELOPMENTS

1.1 **Europe:** Committee opinion on the Multilateral Interchange Fee Regulation and Payment Services Directive 2 published.

- The opinion was published in the Official Journal of the EU on 5 June 2014.
- In relation to both the draft Directive and Regulation the European Economic and Social Committee (EESC) was supportive of the Commission's aims and wants the legislation to proceed as a matter of urgency.
- The EESC has also recommended that the following amendments to the proposals be considered:
 - Lower caps for interchange (no interchange for debit cards);
 - Shorter timeframes for imposing domestic caps;
 - Caps should be imposed on 3-party schemes, to future-proof against new business models;
 - The same caps should be imposed on commercial cards;
 - PSD2 should be clearer that banks cannot charge TPPs for access to customers' account information.

See a report [here](#).

1.2 **United Kingdom:** FCA launches "Project Innovate".

- A project to help support industry innovation: from smaller start-ups to mass market with new models.
- Scope includes a number of areas, including: digitalisation; big data analytics; venture capital; virtual currencies, crowd funding; and peer-to-peer lending.
- A key objective is for the regulatory framework to support positive innovation.

- Presents an opportunity for innovators to discuss issues with the FCA.

See the FCA speech [here](#).

1.3 **United Kingdom:** HM Treasury publishes summary of responses in relation to its cheque imaging consultation.

- The consultation was published on 7 March 2014. It invited responses on proposed legislation to allow for the introduction of cheque imaging. This innovation will speed up cheque clearing times by sending an electronic image of the cheque for clearing, rather than the piece of paper itself.
- The response document published on 25 June 2014 highlights how the Government's final policy has been affected by the views it has received.
- In summary the response document concludes that:
 - there is widespread support for the proposed reform from both consumers and the payments industry;
 - the requirement to move to cheque imaging will be applied consistently to ensure that consumer interests are protected;
 - HM Treasury will make regulations which place liability for designated types of fraud and error on the payee's bank; and
 - the new technology should be in addition to existing ways of depositing cheques.
- A suitable framework for cheque imaging in the UK is included in the Small Business, Enterprise and Employment Bill 2014-15.
- HM Treasury advises that the timings for industry implementation of the measures are currently being finalised.

See a report [here](#).

1.4 **United Kingdom:** The six largest current account providers agree format for portable current account information.

- The announcement was made in a speech given by Andrea Leadsom, Economic Secretary to the Treasury.
- The current account providers' commitment to provide this information to consumers was announced in this year's Budget.
- The standardised information will allow customers to input the data into comparison tools to work out which financial products and services are best for their needs.
- Customers will be able to obtain this information by the end of the current financial year.

See a report [here](#).

1.5 **Bolivia:** The Bolivian Central Bank has banned the use of all digital currencies.

- The bank stated that this action had been taken to:
 - protect the local currency; and
 - safeguard end users from potential losses which are caused by these "uncontrolled" currencies.

See a report [here](#).

1.6 **Italy:** Bitcoin continues to draw the attention of the Italian authorities.

- A public hearing on Bitcoin is scheduled to be held at the Italian Parliament on 26 June 2014. Representatives of the digital currency industry, banks, Bitcoin international community and politicians will attend the public hearing to discuss the possible regulation of Bitcoin.
- This event is in addition to another concerning Bitcoin which was held on 11 June 2014 at the Italian Parliament.

See a report [here](#) (in Italian).

1.7 **Italy:** First Italian e-payments association established on 5 June 2014.

- The association is aimed at fostering the use of traceable means of payment by reducing the costs associated with their use and also curbing the use of cash. This is important in order to be able to trace financial flows and fight the black market economy.
- Additionally, the association wishes to improve consumer awareness of the applicable regulatory framework in this area. To further this objective, the President of the association has argued that the scope of the European Commission's proposed Multilateral Interchange Fee Regulation should be expanded.

See a report [here](#) (in Italian).

1.8 **The Netherlands:** The Dutch Central Bank warns financial institutions about digital currencies.

- This marks a change from other countries where warnings have been directed to the end users that transact using digital currencies.
- It cites the anonymity of the transacting parties as a key cause of the high risk nature of such transactions and explains that involvement with digital currencies could negatively affect the reputation of financial institutions.
- So far, Netherlands has treated Bitcoin liberally but its central bank is currently monitoring the position and intends to introduce "control measures" later this year.

See a report [here](#).

1.9 **Poland:** Digital currency 'mining' attracts 23% VAT.

- Mining for digital currency is classified as the provision of a service in Poland.
- The tax becomes payable on the sale of the mined digital currency.

See a report [here](#).

1.10 **United States:** Bitcoin close to obtaining "lawful money" status in California.

- A bill has been approved by the Californian Senate Banking and Financial Institutions Committee, the Senate and recently also the Senate Assembly floor. To become law it must now be approved by the Californian Governor.
- The bill opens the door for a wide variety of alternative payment forms such as digital currencies, points and coupons to be formally recognised in the State.
- The proposed bill will not go as far as designating these alternative payment forms as "legal tender".

See a report [here](#) and [here](#).

2. PAYMENT MARKET DEVELOPMENTS

2.1 **United Kingdom:** ZipZap to expand into the UK through its partnership with Payzone.

- ZipZap is a global payments network which allows consumers to buy, sell and use digital currencies and Payzone is one of the leading payments and cash distribution networks in Europe.
- UK residents will be able to buy digital currencies (for example Bitcoin, Lite coin and Dogecoin) at more than 20,000 retail locations or alternatively through one of ZipZap's exchange partners as a result of the deal.
- Consumers will be able to exchange cash for digital currencies more readily and also easily purchase such currencies via other payment methods or online.

See a report [here](#).

2.2 **Worldwide:** i-Pmart to accept and hold on to Bitcoin payments.

- The large Malaysian online retailer, i-Pmart has opted to allow its customers to pay for goods using Bitcoin.
- Currently, the option is only available on its Malaysian site but it will be available on its sites worldwide in late June 2014.
- The retailer's CEO, Mart Tang, has said that the Bitcoins that it receives will be held by the company in expectation that their value will rise, rather than exchanged for local currency.

See a report [here](#).

2.3 **Worldwide:** Expedia to start accepting Bitcoin as payment for hotel bookings.

- It is the first major travel-agency to do so.
- Expedia will not hold any Bitcoin it receives. Via its payment processor, Coinbase, it exchanges the Bitcoin back to US dollars every day.
- The company does not expect a huge initial uptake in the use of the payment method but sees it as part of its future because it fulfils a customer need.
- If the trial with hotel bookings works well, Expedia plans to accept Bitcoin as payment for other bookings too.

See a report [here](#).

2.4 **Europe:** European Payments Council ("EPC") publishes "EPC Overview on Mobile Payments Initiatives"

- The document summarises initiatives on mobile payments inside and outside of the Single European Payments Area. It covers developments between November 2013 and May 2014.

- The EPC does not aim to be exhaustive with its summary but hopes to create awareness on the latest developments within the industry. Going forward, the EPC will update the document twice a year.

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

2.5 **Africa:** Orange and BNP Paribas partner to allow African customers to access their bank accounts via mobile.

- The new service allows customers of BNP Paribas to carry out real-time banking operations using their Orange Money account which can be accessed via a smartphone.
- The service permits customers to transfer money between their Orange Money and BNP Paribas accounts.
- The large network of Orange Money distributors will supplement the network of BNP Paribas bank branches. This offers customers more cash withdrawal points in their area.
- The service has been launched in the Ivory Coast and will be expanded to other African countries in which both BNP Paribas and Orange Money have a presence.

See a report [here](#).

2.6 **Africa:** Digital currencies increase remittances into Africa.

- Mobile money and digital currencies are being used to boost remittances into Africa and drive down the cost of sending money to the continent. Remittances contribute more than 2% to the GDP of most sub-Saharan African countries and are therefore important economically.
- BitPesa is one company responsible for the trend. It allows expat Africans to send their money home via Bitcoin, avoiding the higher fees associated with remitting cash using traditional means.
- With BitPesa, users buy Bitcoins with local currency and send it to BitPesa, who then transfers on the value to the recipient, usually having converted the Bitcoins into local currency.

See a report [here](#) and an explanation of BitPesa [here](#).

2.7 **Australia:** DigitalBTC becomes first digital currency focused company to list on a major stock exchange.

- DigitalBTC engages in Bitcoin mining, trading and is in the process of developing retail and consumer applications. It listed on the Australian Securities Exchange.
- Although it has been technically listed since March 2014 (due to its reverse takeover of Macro Energy Limited), by pursuing its own listing it hopes to increase its own legitimacy and consequently attract a broader array of investors.

See a report [here](#).

2.8 **Canada:** BlackBerry focuses on mobile payments as part of its overall revival strategy.

- BlackBerry has entered into a new three year agreement with EnStream LP (a joint venture owned by the three largest wireless carriers in Canada).
- The agreement permits EnStream to utilise BlackBerry's infrastructure to enable mobile network operators and financial institutions to store credit/debit card details on any NFC enabled smartphone.

See a report [here](#) and [here](#).

2.9 **China:** Alibaba unveils new QR code platform.

- The platform, Mashang Tao, will allow merchants to create QR codes which can be used to allow customers to make purchases in-store, online and from printed adverts. The QR codes will also provide an additional range of value-added services for customers, for example, allowing them to contact customer support teams. The overall aim is to broaden use of QR codes.
- Pepsi and Tsingtao Brewery will be the first to use the platform. They will place QR codes on 1.6bn drinks cans which consumers can scan to enter a prize draw.

See a report [here](#).

2.10 **New Zealand:** PushPay acquires SMS marketing technology developer Run the Red.

- The acquisition will allow the mobile payments app developer, PushPay, to integrate mobile payments via SMS and other forms of mobile messaging. It is also reportedly planning to list on the New Zealand stock exchange.
- Run the Red's customers in New Zealand and the South Pacific include Vodafone, Sky and Facebook.

See a report [here](#) and [here](#).

2.11 **South America:** Bitpagos raises \$600,000 to foster use of Bitcoin in South America.

- The funding will allow the payment processing company to expand its Argentinian office. Initially it is seeking clients in the hotel and travel industry but hopes to expand its client list in due course.
- While Argentina has not been an early adopter of payments technology, Argentinians wary of the local currency (Peso) because it is prone to devaluation and is difficult to convert into foreign currency due to national controls.
- Merchants accepting Bitcoin allow their customers to potentially avoid these problems. Therefore, Bitpagos may be well positioned to help merchants take advantage of a customer need. At present, BitPagos charges a 5% fee to process credit card transactions, and it handles Bitcoin for free.

See a report [here](#).

2.12 **United States:** The restaurant industry prioritises mobile payments.

- A panel at the National Restaurant Association Show concluded that the US industry is currently moving into the phase of mass adoption of the technology, trying to replicate the success of Starbucks in this field.
- It is expected that customers will soon expect their local restaurants to have adopted mobile payments.

See a report [here](#).

2.13 **United States:** American Express customers can use their reward points on Uber cars.

- Amex customers in New York can now book rides using rewards points via Uber's mobile phone app.
- Customers can either redeem their reward points as payment for the car ride, or earn double reward points if they pay using their Amex card.

See a report [here](#).

2.14 **United States:** PayPal's P2P payments app, Venmo, reports gains in popularity.

- The value of transactions carried out via the peer to peer payment app in Q1 2014 was the same as Starbucks existing mobile payments app.
- Interestingly, as well as enabling P2P payments, the app allows users to send "bills" to friends to remind them that they owe money.

See a report [here](#).

2.15 **Zimbabwe:** Edgetech Solutions tests sonic mobile payments solution.

- Edgetech has partnered NearBytes and is developing a solution which utilises sound wave technology to make payments rather than relatively more traditional methods such as NFC or the internet.
- Special applications will have to be installed on the customer's mobile phone and also on the point of sale system to make use of the solution.

See a report [here](#).

3. REPORTS AND SURVEYS

3.1 **Worldwide:** The number of people using NFC mobile payments is expected to reach 300 million by the end of 2017.

- In 2013 there were only 110 million users of NFC mobile payments.
- The large expected increase in NFC uptake is being helped by the fact that point of sale terminals, rolled out for contactless plastic cards, are compatible with smartphones which utilise NFC to make payments.

See a report [here](#).

3.2 **Worldwide:** Peer to peer (P2P) payments are key to the extinction of the physical wallet.

- A report by BI Intelligence states that P2P payments offer consumers a compelling reason to replace their wallet with their smartphone.
- This is because they reduce the need for consumers to visit an ATM or bank.
- In its report BI Intelligence examines:
 - examples of successful mobile P2P payments apps;
 - other P2P payments apps which may experience success in the future; and
 - the view that the limited revenue currently available to providers of these apps may lead to P2P apps being developed for use in-store.

See a report [here](#).

3.3 **United Kingdom:** Mobile sales becoming even more important in the UK retail market.

- According to a report by IMRG Capgemini, mobile sales in the UK have grown 3,400% over the last four years.
- Both banks and retailers have encouraged this growth. Retailers, in particular, have noted how consumers are more comfortable now with the idea of using mobile devices to make payments.

See a report [here](#).

3.4 **Germany:** 20% of German smartphone users have never used mobile payments.

- A survey by TNS Infratest additionally revealed the following:
 - 38% of users are likely to use contactless payments in the future;
 - 33% are familiar with mobile payments but would not use them due to security concerns; and
 - smartphone users are more aware of QR codes, as a means of effecting mobile payments, than either NFC or Bluetooth Low Energy technology.

See a report [here](#).

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