

Payment and Related Innovation News Update
25 July 2012

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1. REGULATORY DEVELOPMENTS

1.1 **Europe:** Reports suggest that the European Commission (EC) could approve Project Oscar by end of the summer

- A report from the Financial Times, citing two sources close to the EC, claims that the joint venture (JV) between Vodafone, Telefónica and Everything Everywhere aimed at developing mobile wallet systems is set for approval by the EC.
- The proposed JV was referred for a full 90 working day competition law review in April, with a final decision on its competitive effect on the telecoms and payments markets due by 27 August 2012 (see previous updates). Potential areas of competitive concern centred on the high resulting market share in the mobile wallet market.
- The report suggests that few conditions or requirements are currently contemplated by the EC. The early approval of the project will give the operators a headstart in establishing their platform ahead of competitors.

See a report [here](#)

1.2 **Europe:** EC to outline strategy for regulation of cloud computing

- Reports suggest the EC is planning to release a three part strategy aimed at promoting the use of cloud computing and reducing the regulatory burden for those adopting it.
- The policy will cover issues supposedly hindering uptake of cloud technology, including data protection and copyright issues, standardisation and interoperability and governing law.
- The strategy is expected to be tabled at the college of commissioners meeting on 25 July.

See a report [here](#)

1.3 **United Kingdom:** Government consults on changes to the Payments Council

- The Government has launched its consultation on the Payments Council saying doing nothing is not an option.
- The consultation sets out three options:

- strengthening the Payments Council to make it more focused on end users, including consumers, and more independent of the large UK banks (but without increasing the overall burden of regulation);
 - introducing a Payments Strategy Board (PSB) overseen by the Financial Conduct Authority to set payments strategy, with recommendations from the PSB being implemented by the Payments Council on behalf of the industry;
 - creating a new regulator for the payments industry, similar to the body (“Paycom”) recommended by the Cruikshank Report in 2000.
- The second option is currently the Government's preferred option. However, views are sought by 10 October.

See the consultation [here](#)

2. **MOBILE PAYMENT DEVELOPMENTS**

2.1 **Worldwide:** Isis to trial mobile payment service in August

- Isis (the JV between Verizon Wireless, AT&T, and T-Mobile USA) plans to launch its mobile service with trials in August.
- Isis intends to work with Android and BlackBerry smartphones with near-field communications chips to allow customers to make mobile payments at upgraded cash registers. The venture will also offer sleeves with NFC chips for the non-NFC enabled iPhone.
- The system will be able to process payments from a range of payment networks (including Visa, MasterCard and Amex) and with credit cards issued by Barclaycard, Chase and Capital One.
- Isis is apparently moving away from transaction charging and is instead proposing to charge companies to run on its platform. It is also not intending to monitor customer data.

See a report [here](#)

2.2 **Europe:** Telefónica teams up with Visa for mobile payments

- The mobile network operator (MNO), Telefónica (also the parent company of O2 in the UK and Movistar) has entered into a wide-ranging strategic partnership with Visa to develop products and services in the mobile wallet, NFC contactless payments, merchant offers and acquirer services markets. Under the terms of the deal, Telefónica will also issue Visa branded payments cards.
- This alliance is part of a series of unions between MNOs and card schemes: Visa already has a similar agreement with Vodafone and Deutsche Telekom recently announced a tie-up with MasterCard (see previous update).

See a report [here](#)

2.3 **United Kingdom:** M6 toll road works with Barclaycard to accept contactless payments

- Contactless card readers will be installed in each lane advertised for card payments. This follows a successful trial that showed lower queuing times and a simpler payments process when contactless payments are available.
- Under a 2011 deal, Barclaycard is now responsible for payments processing at the toll motorway. Contactless terminals are expected to increase by 50% by the end of the year.

See a report [here](#)

3. **OTHER PAYMENT DEVELOPMENTS**

3.1 **Worldwide:** LevelUp removes interchange fees

- The Boston based mobile payment and loyalty start-up has announced that it will no longer be charging interchange fees for its 3,000 merchants worldwide. LevelUp intends to replace its lost revenue stream by helping merchants attract more customers by offers, loyalty rewards and analytics.
- LevelUp previously charged merchants 35 cents for every dollar of credit provided to consumers during a campaign, so 50 customers offered \$2 of credit would net the company \$35.
- LevelUp plans to replace this lost revenue by exploiting the effectiveness of its introductory offers in providing returning customers for merchants. For example, it has found that of first time customers introduced through a LevelUp offer, 64% return to shop with the merchant within 30 days.

See a report [here](#)

3.2 **United States:** Businesses considering surcharges following US court settlement with Visa, MasterCard, and certain large banks.

- According to reports, the \$6.2 billion settlement allows merchants to offer discounts to customers who pay by cash or cheque. It also allows merchants to negotiate individually with Visa or MasterCard over credit card transaction fees.
- The settlement (which still must be approved by the court) seeks to terminate a long-running dispute in the US over alleged anti-competitive practices between the card schemes and banks on the setting of interchange fees.
- It remains to be seen whether the settlement will be effective in changing the status quo: it is questionable whether smaller merchants will have the bargaining power to negotiate lower fees, and whether merchants will offer cash discounts (or impose credit card processing surcharges) in practice.

See a report [here](#)

3.3 **United States / Worldwide:** PayPal acquires card scanning start-up Card.io

- Card.io currently provides the software used by PayPal in its Here mobile payment system that allows merchants to scan a customer's card details using the camera on a smartphone.

- The acquisition sits comfortably within PayPal's current strategic offering in the mobile payments market, and should give it greater control over its popular Here payments system and card reading dongle.

See a report [here](#)

4. **SURVEYS AND REPORTS**

4.1 **United Kingdom:** Survey suggests that mobile applications give UK banks a competitive edge

- The survey of UK financial institutions by Rackspace and CityIQ found that 37% of banks have released apps within the last 12 months or are in the process of developing apps for release. The majority of respondents believe that a mobile offering for customers gives them a competitive advantage over their rivals.
- Banks also cite the importance of cloud computing to the development of their digital and mobile strategies.

See analysis of the survey [here](#)

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