

Payment and Related Innovation Update
20 February 2013

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1. REGULATORY DEVELOPMENTS

1.1 **Europe:** European Central Bank ("**ECB**") final recommendations for security of internet payments

- The ECB has published a finalised set of recommendations on security of internet payments developed by the European Forum on the Security of Retail Payments ("**SecuRe Pay**") whose participants include European central banks and regulators. National authorities are expected to implement the recommendations by 1 February 2015.
- The recommendations are in response to the growing level of internet payment fraud. They set minimum security requirements for payment service providers and governance authorities of payment schemes. The recommendations cover most types of internet payments, with some exclusions (including app-based mobile payments).
- The recommendations focus on both the general control and security environment for internet payments, and specific measures that should be taken. There are four guiding principles (relating to risk assessment, authentication, authorisation and monitoring, and customer awareness and education), with 14 specific recommendations.

See a report [here](#) and the recommendations [here](#)

1.2 **Europe:** European Commission ("**EC**") publishes proposed Cybersecurity Directive

- The EC has released a proposal for a Directive "concerning measures to ensure a high common level of network and information security across the Union", with the EC noting that security incidents affecting information systems "are becoming bigger, more frequent, and more complex".
- The proposed Directive would require Member States to ensure that public administrations and 'market operators' (including providers of information security services and operators of critical infrastructure) take appropriate technical and organisational measures to manage the risks posed to the security of networks and information systems and to report significant incidents to regulators and, if so required, to the public. Hardware and software providers seem to be exempted from the requirements to report incidents and take risk management measures.

- With this proposal, Europe has now joined the US in proposing broad legislation and co-operation strategies intended to improve public and private-sector cybersecurity. The US Cybersecurity Executive Order, which was signed on 12 February, directs federal agencies to engage with the private sector on a number of cybersecurity fronts.

See our report [here](#), and our report on the US Cybersecurity Executive Order [here](#)

1.3 **United Kingdom:** UK extends Foreign Account Tax Compliance Act ("FATCA") consultation

- HM Revenue and Customs has announced it will extend the consultation period on FATCA draft regulations and guidance until 28 February, to give respondents time to consider the final US FATCA regulations published by the US Treasury and Internal Revenues Services on 17 January.

See the announcement [here](#) (this also contains links to the draft UK regulations and guidance)

2. **PAYMENTS MARKET DEVELOPMENTS**

2.1 **Worldwide:** Bango carrier billing service targets emerging markets

- Bango is a carrier billing service provider that enables mobile phone users to charge purchases to their phone bills or to a prepaid account, rather than to a credit or debit card.
- Bango has raised £6.5 million through a share placing on the London Stock Exchange, and intends to use the funding to help implement its strategy for growth in emerging markets in Latin America and Asia, where credit and debit card penetration is relatively low.
- Bango also recently signed a non-exclusive deal with Telefónica (which has a large Latin American network) to offer its carrier billing services on a global scale, and says it now has reach to around one billion mobile users, with actual customers at 200m.

See a report [here](#)

2.2 **Europe:** payleven launches MPOS service

- payleven has launched its mobile point-of-sale ("**MPOS**") service, which will allow merchants to accept payments on a mobile device using chip-and-PIN, as distinct from signature based solutions offered by some competitors.
- Merchants will use a PIN pad with card reader, which connects to the merchant's mobile device via bluetooth. The PIN pad has an introductory price of €49, and payleven will also levy a 2.75% transaction fee.
- The solution is certified by Visa Europe, MasterCard and Maestro, with full Europay, MasterCard and Visa ("**EMV**") Level 2 and Payment Card Industry ("**PCI**") certification.

See a report [here](#)

2.3 **United Kingdom:** Visa and Royal Bank of Scotland ("**RBS**") to provide contactless payments card

- Visa and RBS/NatWest will be providing two million consumers with contactless payment cards in 2013 using near field communication ("**NFC**") technology.
- Visa is expecting contactless transactions to quadruple in 2013, helped by NFC enabled smartphones such as the Samsung Galaxy S III and recently released BlackBerry Z10. However, commentators are currently divided as to whether NFC will be a major driver of payments innovation in the future.

See a report [here](#)

2.4 **United States:** Amex launches 'pay-by-tweet' service

- American Express has launched a new service which will allow users who 'sync' their payment card with their twitter account to purchase products by tweeting special hashtags.
- The launch follows Amex's successful 'Amex Sync' programme, which last year started delivering coupons to Amex customers when they tweeted particular hashtags.
- To use the service, Amex customers must add their Amex card details to their Twitter account. Amex will list discounted products on their Twitter account, which customers can purchase by tweeting a special hashtag. After the purchase is accepted, Amex will tweet back confirmation and the product will be delivered for free.

See a report [here](#)

2.5 **United States:** Bitcoins can buy pizza

- Two programmers have designed Pizza for Coins, a website which allows users to exchange the virtual currency Bitcoins for pizza, in an attempt to boost demand and use of the currency.
- The website acts as a conduit between the purchaser and the pizza company, converting Bitcoins into US dollars. Domino's is the only company to have signed up so far, but the creators have promised more options will be added in the near future.

See a report [here](#)

2.6 **United States:** Buck launches mobile invoicing

- Buck, a mobile payment company, has launched Buck Mobile Invoice, which allows merchants to take payments without NFC or a dongle.
- Merchants can do this by sending an invoice from a mobile device or computer to a customer's mobile device. The customer receives a text message, with a link to a mobile optimised payment page, to make payment. Repeat customers can pay with one tap.

See a report [here](#)

2.7 **South Africa:** Nedbank launches MPOS service

- Nedbank has launched PocketPOS, an EMV-compliant MPOS service which allows merchants to accept chip-and-PIN card payments on their mobile device.
- A PIN pad, into which the customer's payment card is inserted, is available in two models: one which sends a digital receipt to the customer's email address; and another which prints a physical receipt.
- The offering is the first of its kind in South Africa, and is similar to those recently announced by payleven in Europe (see report above) and mPowa.

See a report [here](#)

2.8 **India:** ICICI Bank and Aircel launch Mobile Money

- ICICI Bank of India together with wireless provider Aircel are starting the roll out of Mobile Money to cater for India's unbanked. The service includes deposit and cash withdrawals, money transfers, mobile top-up and bill payment services.
- The service is one of the first to use Visa's new mobile money platform, which is a bank-grade managed service for mobile money, making it simpler for financial institutions and mobile network operators to offer mobile financial services. The platform includes a connection to Visa's global payment network, customer management, enrolment, risk management and reporting.
- Rwandan Bank of Kigali and Urwego Opportunity Bank have also partnered, using Visa's platform, to offer customers an account linked to a mobile phone number.
- The move by Visa could simplify entry into mobile money for financial institutions and telecommunications companies, in an otherwise fragmented market.

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

2.9 **Indonesia:** Monitise pilot BlackBerry mobile money service

- Monitise has announced it will be working with two other entities on the first mobile money and payments solution on the BlackBerry Messenger platform, called BBM Money. The partners are Indonesia's PT Bank Permata Tbk, BlackBerry and PT AGIT Monitise Indonesia (a joint venture between Monitise Asia Pacific and Astra Graphia Information Technology).
- BBM Money will allow BlackBerry users to access a mobile money account from their smartphone to make real-time payments to participating contacts, buy mobile airtime credit and transfer money to bank accounts.
- BBM Money is being piloted in Indonesia but is expected to be rolled out more widely.

See a report [here](#)

3. SECURITY

3.1 **Worldwide:** PCI mobile payments data security guidance for merchants

- The PCI Security Standards Council has published guidance for merchants on how to protect card data when accepting mobile payments. In particular, they recommend that, until mobile hardware and software meet PCI guidelines, merchants should use PCI-validated, point-to-point encryption.
- The guidance highlights three key aspects for managing the risk of data theft in mobile payment transactions: security of the payment transaction, security of the mobile device, and security of the payment acceptance solution.

See a report [here](#) and the guidance [here](#)

3.2 **Worldwide:** Visa announces deadlines for liability changes

- Visa has announced dates to shift the liability for fraud as part of its EMV roadmap. Liability for losses will depend on whether someone adopts EMV technologies, so for example merchants and providers of automated teller machines ("**ATMs**") may become liable for unauthorised transactions if they don't support EMV.
- The deadlines are:
 - from 1 April 2015, third-party ATM acquirer processors and sub-processors in the United States must be able to support EMV chip data;
 - from 1 October 2015, liability will shift in Asia Pacific (except for China, India, Japan and Thailand); and
 - from 1 October 2017, liability will shift in China (except for domestic transactions), India, Japan, Thailand and the United States.
- The liability shift for Australia and New Zealand will apply from 1 April 2013. The liability shifts are already effective in Europe, Canada, Latin America, the Caribbean, Central and Eastern Europe, the Middle East and Africa.
- The dates should ensure that Visa has one global liability policy in place to encourage chip-on-chip transactions (that is both the card and the card reader have an EMV chip) at point-of-sale and ATMs.

See a report [here](#)

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