

Payment and Related Innovation Update
27 June 2012



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1. REGULATORY DEVELOPMENTS

1.1 **UK:** Government responds to third Money Laundering Directive consultation

- The focus of the response supports continuing and strengthening a risk-based approach. In particular, the government was not supportive of changing the current minimum harmonisation approach or requiring more prescriptive customer due diligence.
- The government was also concerned that narrowing the currently wide definition of "politically exposed person" (PEP), or creating PEP lists, would undermine the proper consideration of risks associated with customers and beneficial owners. However, it did support greater certainty across the EU about who is the beneficial owner.

See the response [here](#)

1.2 **United States:** The National Telecommunications & Information Administration (NTIA) has announced a stakeholder meeting on mobile app privacy

- The meeting on 12 July 2012 will be the first of several of NTIA-convened multi-stakeholder discussions on mobile app transparency. The first meeting will focus on agreeing common standards for how mobile network operators and app developers deal with personal data, and agreeing a schedule of further topics for discussion.
- Contributors to the NTIA process have remarked on the need for data privacy policies to be updated to keep up with developments in the mobile technology arena.

See a report from the Hogan Lovells data privacy team [here](#)

2. MOBILE PAYMENT DEVELOPMENTS

2.1 **Worldwide:** Apple unveils Passbook, its version of the mobile wallet

- The Passbook app, an initial foray into the mobile wallet market, will store loyalty cards, boarding passes, movie tickets and vouchers in one place. The app will allow users to pay with their loyalty card, from their iPhones and iPads, by producing a barcode that can be scanned to redeem rewards at the point of sale. The app will be compatible with Apple's latest software system, iOS 6, due for launch in autumn 2012.

- Passbook will reputedly exploit geo-location technology, sending customers relevant information such as their boarding pass when they walk into the airport or their loyalty card balance when they walk past the shop. The nature of the consent that Apple will require from users to enable this remains to be seen, given historic problems that it and Google have run into in this area.

See a report [here](#)

2.2 **United Kingdom:** RBS and Nat West release mobile banking app ATM functionality.

- The new Get Cash banking app allows customers using RBS, Tesco or Nat West ATMs to withdraw up to £100 by inputting a passcode at the ATM.
- To date, 2.6 million customers have downloaded the app, which can be used at 8,000 ATMs across the county and it has been marketed as an option for those who want to leave their cards at home as well as for emergency cash when a card is lost or stolen.

See a report [here](#)

2.3 **Middle East, Africa:** Orange Money growing in popularity in Middle East and Africa

- First launched in Côte d'Ivoire in December 2008, Orange has announced that over four million customers use Orange Money in 10 different countries, including Botswana, Cameroon, Kenya, Madagascar, Mali, Niger and Senegal.
- Orange Money provides previously underbanked customers with access to basic banking services through their mobile phone. Orange envisages launching Orange Money in all 22 countries in Africa and the Middle East where it provides wireless services.

See a report [here](#)

3. **OTHER PAYMENT DEVELOPMENTS**

3.1 **Worldwide:** Facebook scraps Facebook credits

- Facebook credits were the online currency used by games developers and their customers to purchase items in games such as Farmville and Mafia Wars. Users could purchase them through PayPal or via payment cards, and then use them to purchase improvements or features within games.
- Game developers would often convert credits into their own in-game currencies, making it hard for users to keep track of their purchases and spending.
- Facebook, who will continue to take a 30% cut of purchases of in-game currencies, has said the move will simplify the user experience, and will allow developers to begin charging subscriptions for their games and apps.
- The move will, however, allow local pricing as the same item can be priced on a market by market basis.

See a report [here](#)

3.2 **United States:** VeriFone announce strategic partnership with PayPal

- VeriFone will integrate PayPal's "digital wallet" systems with its VeriFone's MX Solutions which are used by c.80% of the top 200 largest retailers in the U.S. Customers will be able to pay at check-outs with a PayPal access card and PIN or by entering a phone number and PIN.
- Indications for the future are that VeriFone will integrate PayPal acceptance directly into future product solutions offered to retailers.
- The partnership fits within a wider pattern of integration between e-commerce and retail payments system providers and offers PayPal access to an extensive point of sale network.

See a report [here](#)

4. **OTHER RELATED DEVELOPMENTS**

4.1 **Worldwide:** Electronic Verification Systems releases new mobile payments identity and verification system

- The XML system will integrate with mobile apps to enable online merchants to verify the ID of shoppers purchasing items through their mobile phones.
- The system gives merchants the comfort of obtaining the same age, ID and knowledge-based verification of customers currently available for online or desktop Internet transactions. Importantly, EVS promises the verification will be completed quickly, resulting in shorter wait times for customers and fewer lost sales for merchants.

See a report [here](#)

4.2 **Worldwide:** Microsoft unveils new operating system for smartphones, Windows Phone 8

- Windows Phone 8 will integrate with Windows PC software for easier app design. It will also enable Microsoft, Nokia, Samsung, HTC and Huawei smartphones running the software to feature a mobile wallet and make near field communication ("NFC") payments.
- Although details are vague, the new Wallet Hub app will allow the phone to store payment and membership card details and digital coupons as well as allowing contactless payments.
- The wallet will use secure NFC enabled SIM cards rather than the phone itself but so far only Orange France have announced they will support this technology.

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

5. **SECURITY**

5.1 **EU:** Proposed JV to drive mobile security forward

- ARM Holdings (Netherlands), Gemalto (UK) and Gieseck & Devrient (Germany) have announced a joint venture to produce a common security standard for mobile devices.

- The JV will focus on developing a common secure environment for software using their respective expertise in software and hardware security allowing greater operational efficiency and a more secure user-friendly experience. This is expected to have a wide application but be particularly valuable to improving security for mobile payment and mobile bank applications.
- The JV is subject to EU regulatory approval.

See a report [here](#)

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