

Payment and Related Innovation Update
28 November 2012



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1. REGULATORY DEVELOPMENTS

1.1 **Europe:** European Commission ("EC") takes Belgium to court for failing to implement Electronic Money Directive

- The EC has referred Belgium to the Court of Justice of the European Union ("CJEU") for its failure to implement the second Electronic Money Directive (2009/110/EC) by the end of April 2011.
- While most Member States have now passed implementing legislation, Belgium has yet to inform the EC of any national implementation measures. The EC has requested that the CJEU imposes a daily fine of €59,212.80 on Belgium from the date of the CJEU's ruling until it complies.
- We wait to see whether the EC will bring similar actions against other Member States that are yet to complete their implementation.

See a report [here](#)

1.2 **Europe:** European Parliament resolution for Single Euro Payments Area ("SEPA") extension for cards, online and mobile payments

- In a non-binding resolution, the Members of the European Parliament ("MEPs") have stated that European Union rules for card payments should be modelled on the SEPA rules for cross border payments. The resolution maintains a focus on pricing transparency as the way to drive down fees rather than capping.
- The resolution also states that while a SEPA-like model is needed for internet and mobile payments, this should be relatively light touch to avoid stifling innovation.

See the press release [here](#)

2. PAYMENTS MARKET DEVELOPMENTS

2.1 **United Kingdom:** PKTMNY releases debit card for eight-year-olds

- PKTMNY, a start-up developed by a group of parents, has launched a Visa debit card intended to help children develop money-management skills from a young age. Parents of children from the ages of eight to sixteen will be able to apply for

the prepaid debit card, making it available to a significant number of children who will never have had access to a payment card before.

- The card comes with pre-programmed restrictions which will prevent its use for purchasing items such as alcohol and tobacco. Additionally, parents will have the ability to put safeguards in place to restrict the card's use for online or in-store purchases, or for withdrawing money. PKTMNY charges a joining fee of £5 per family, a monthly fee of £1, and ATM withdrawal fees of 50p in the UK and £2 abroad.
- Several banks currently offer debit cards to children, generally from age eleven, which have proved controversial in the past. This card is also likely to polarise opinion although it appears to offer parents greater control than other options.

See a report [here](#)

2.2 **United States:** Bank of America ("BoA") launches merchant mobile payments service

- BoA has launched Mobile Pay on Demand, a mobile app and dongle card reader which connects to a merchant's mobile device, allowing the merchant to accept card payments. BoA appears to be seeking to leverage its existing merchant relationships, low transaction fees (2.7% compared to Square's 2.75%) and a one year subscription to its deals marketing platform (offering the distribution of group offers or loyalty programmes) to attract merchants.

See a report [here](#)

2.3 **United States:** PayAnywhere launches merchant mobile payments service

- PayAnywhere is also offering a mobile app and dongle payments service, and appears to be relying on a large retail base for distribution. The dongle will be available for a small fee (\$9.95) from a number of large retailers, such as Walmart, Home Depot and Amazon. Other than the purchase price of the dongle, there will be a 2.69% transaction fee. PayAnywhere is also reportedly planning a multimillion dollar advertising campaign to promote its service.

See a report [here](#)

2.4 **United States:** Flint Mobile Inc.'s iPhone merchant mobile payments app leaves beta trial

- In contrast, start-up Flint Mobile Inc. has announced its dongle-free iPhone payments app is leaving its original invite-only trial and will soon be generally available.
- The app uses the iPhone's inbuilt camera to read the customer's card number, and the customer then completes the transaction by signing the screen of the merchant's mobile device. As well as being dongle-free, Flint is offering links to social media. It will charge a fee of 1.95% plus \$0.20 cents per transaction for debit cards, and a fee of 2.95% plus \$0.20 cents per transaction for credit cards.

See a report [here](#), and a brief summary of how the app works [here](#)

2.5 **Africa:** MasterCard, Comviva and Tutuka offer financial services to underbanked

- MasterCard Worldwide, Comviva Technologies and Tutuka are partnering to allow mobile operators to offer customers prepaid MasterCard cards or virtual card numbers linked to their mobile number. This will allow customers to purchase goods and services wherever MasterCard is accepted, as well as transfer funds and pay bills.
- Building on the popularity of mobile phones, this service will dramatically increase the payments reach for consumers as many mobile operators currently only offer closed loop services. The service is part of MasterCard's Mobile Money Partnership Program, launched in February 2012, which aims to increase financial inclusion worldwide.

See a report [here](#)

2.6 **Australia:** PayPal brings offline payments to retailers

- PayPal has rolled out its offline payments solution in a limited number of pilot stores, which allows PayPal users to make in-store purchases using their PayPal accounts. Additional partners are expected to be announced in the coming months.
- Customers are able to "check-in" to participating stores using the PayPal app on their smartphone. The cashier then verifies the customer's identity at the check-out using a photo of the customer displayed on the cashier's screen, with payment then taken from the customer's PayPal account.
- It is a similar offering to Square Wallet, which has been available in Starbucks' US stores since the beginning of November, and integrates with existing point of sale solutions from major providers. The app will also allow merchants to offer personalised services and loyalty offers to customers.

See a report [here](#)

2.7 **Australia:** Vodafone and Visa unveil SmartPass contactless payments app

- Vodafone and Visa have announced their contactless payments system, SmartPass, to be launched in 2013. This follows their global partnership announced in February this year.
- Customers in Australia will be able to pick up a near field communication ("**NFC**")-enabled SIM for compatible smartphones (e.g. the Samsung Galaxy SIII) from Vodafone. After downloading Vodafone's SmartPass app, and registering for a virtual prepaid Visa card supplied by Australia New Zealand Banking Group Ltd ("**ANZ**"), who will also be the acquiring bank for loading funds, customers will be able to transfer funds to their virtual prepaid card, and use their phone to make contactless payments of up to A\$100.
- Vodafone has stated that, from next year, it intends to make 80% of smartphones which it sells on contract NFC-enabled. This may boost uptake of NFC technology which has, so far, been slower than expected.

See a report [here](#)

2.8 **France:** BNP Paribas, SocGen and La Banque Postale team up to release e-wallet

- BNP Paribas, SocGen and La Banque Postale are to provide a universal e-wallet to their customers. The e-wallet will allow the user to store the data for all their credit and debit cards issued by the three participating banks.
- Customers will be able to use the e-wallet to perform a variety of payments.

See a report [here](#) (French only)

2.9 **France:** Facebook launches mobile payment service based on carrier billing

- Facebook is rolling out its mobile payment service in France, having launched it in the UK, US and Germany earlier this year. The service, powered by Bango, allows users to pay for products such as Facebook gifts by using carrier billing (purchases are charged directly to the user's mobile bill), instead of costly premium SMS or by credit card.
- Facebook is initially launching the service with Orange France, the largest mobile carrier in France with 26 million subscribers. Bango and Facebook are working on extending the service to other carriers in France, and across other European markets.
- Bango believes that mobile carrier billing can produce click-through rates (the percentage of customers who successfully complete a purchase which they attempt to make) of 77%, compared to rates of around 40% for credit card and premium SMS forms of billing.

See a report [here](#)

2.10 **Spain:** Santander launches contactless payment cards

- Santander has launched a new range of contactless credit and debit cards. Customers will be able to make contactless payments using MasterCard's PayPass technology without the need for a PIN or a signature.
- The cards are initially being launched in Madrid, Barcelona, the Balearic Islands and Cantabria.

See a report [here](#) (Spanish only) and an explanation of PayPass [here](#)

3. **PRIVACY AND IDENTITY**

3.1 **United Kingdom:** Office of Fair Trading ("**OFT**") to explore online behavioural pricing

- The OFT is asking for information about the extent to which businesses are collecting data on consumers shopping online in order to target them with personalised prices.
- Many businesses collect and monitor data on consumers' online behaviour, which includes recording their purchases, website browsing history, and the device which they use. The OFT will be assessing how businesses use this data, focusing on whether they use it to adjust the price of products for different customers and whether consumers have sufficient understanding and control of this process.

- The OFT will be gathering information over the coming six months and aims to publish a report on its findings in spring 2013.
- Additionally, the Committee of Advertising Practice ("**CAP**") has published new rules governing the practice of online behavioural advertising ("**OBA**"), which will come into effect on 4 February 2013.
- Under the new rules, third parties undertaking OBA must publish a notice on their website which explains the "collection and use of web viewing behaviour data for the purposes of OBA". The notice should also contain a link to a "relevant mechanism", which will allow users to opt out from being tracked for OBA purposes.

See the OFT press release [here](#) and the CAP rules [here](#)

3.2 **United Kingdom:** Information Commissioner's Office ("**ICO**") releases data anonymisation code

- The ICO has published a data protection code of practice on managing the risks related to anonymisation, which explains how organisations can protect the privacy of individuals while providing rich sources of data.
- The code provides an overview of the requirements of the Data Protection Act 1998, guidance on how to minimise the identification of individuals' personal data, and key anonymisation techniques for organisations that need or want to turn personal data into anonymised data.
- The ICO also announced that a consortium led by the University of Manchester, with the University of Southampton, Office for National Statistics and the government's new Open Data Institute, will run a new UK Anonymisation Network ("**UKAN**"), with the purpose of sharing good practice related to anonymisation across the private and public sectors. UKAN will receive £15,000 worth of funding from the ICO over the next two years.

See the press release [here](#) and the code [here](#)

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