

**Payment and Related Innovation Update**  
31 October 2012

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### 1. REGULATORY DEVELOPMENTS

#### 1.1 **Europe:** European Payments Council ("**EPC**") revises White Paper on Mobile Payments

- The EPC has revised its White Paper on Mobile Payments, which provides a high-level overview of mobile payments in the Single Euro Payments Area ("**SEPA**"), taking into account feedback from stakeholders on the previous paper published in early 2012.
- The White Paper focuses on the ecosystems for mobile contactless SEPA card payments (those using radio technology such as near field communication ("**NFC**")), remote SEPA card payments (where payments are made using a telecommunications network) and remote SEPA credit transfers.
- The EPC will now work towards the development of open specifications for interoperability of mobile payments and carry out further work on mobile wallets.

See the White Paper [here](#)

#### 1.2 **Italy:** Bank of Italy launches consultation on SEPA Guidelines

- The Bank of Italy has launched a public consultation on Guidelines implementing the SEPA Regulation (No. 260/2012), which sets out technical and business requirements for credit transfers and direct debits in euro, and provides guidance as to the interpretation and application of the Regulation. The consultation is open until 26 November 2012.

See the consultation [here](#) (Italian only)

### 2. PAYMENTS MARKET DEVELOPMENTS

#### 2.1 **United Kingdom:** O2 launches mobile point of sale (mPOS) service

- O2, partnered with Visa Europe and Global Payments, has launched an mPOS service enabling merchants in the UK to accept card payments through their Android or Blackberry smartphones using a PINpad, and O2's eMerit app.
- The service, which currently supports VISA and MasterCard payments, allows merchants to send customers receipts via email or SMS and use the eMerit app to manage transactions on their mobile device.
- The mPOS service costs £150 up-front (or £15 per month for 12 months). Credit card transactions incur a fee of 2.95%, and debit card transactions a fee of 0.75p.

- O2 is working on a version for Apple devices.
- Interestingly, this appears to be more costly than the similar service offered by Square in North America (see paragraph 2.4 below). The higher cost may reflect the fact that, unlike Square, mPOS includes chip and pin functionality.

See a report [here](#)

## 2.2 **United States:** Isis mobile wallet launches after delays

- Isis, a joint venture between US mobile network operators AT&T, T-Mobile USA and Verizon Wireless, launched its contactless payments service in Texas and Utah on 22 October. Customers are able to use the Isis Mobile Wallet app on Isis-ready mobile handsets to make NFC payments using selected American Express and Capital One cards, the Chase Freedom credit card or a reloadable Isis cash card at compatible contactless terminals. The wallet can also store customer loyalty cards from participating merchants.
- At the time of launch, only nine handsets over the three participating networks support Isis, although 11 more Isis-ready handsets are expected on the market by the end of the year.
- If successful, the venture should significantly increase the reach of NFC payments in the US.

See a report [here](#)

## 2.3 **Canada:** Royal Bank of Canada ("**RBC**") set to release mobile payments offering

- RBC plans to release a mobile wallet before December in a direct challenge to Canadian Imperial Bank of Commerce (CIBC), which announced in May that it would be releasing a mobile wallet in partnership with Rogers Communications Inc.
- RBC's announcement could be a sign that Canadian banks and mobile network operators are now seeing some value in the mobile payments market, after falling behind other countries in the adoption of mobile payments.

See a report [here](#)

## 2.4 **Canada:** Square mobile payment system launches in Canada

- Square has launched its card reader dongle and app in Canada, enabling merchants to take credit or debit card payments using a smartphone (the system works across Apple and Android devices).
- Square charges a fee of 2.75% per transaction, and does not charge a monthly fee. The Square dongle will be available in all Apple stores across Canada for CA\$10 (with a CA\$10 redemption code, so effectively free), and will also be available online for prospective users to sign up to have a free dongle delivered.
- Canada is the first country outside the US in which Square has launched. Square's CEO Jack Dorsey said that Canada's small business culture had attracted the mobile payments company to the country, with Square's early success in the US stemming from uptake by small businesses.

See a report [here](#)

## 2.5 **Germany:** Giesecke & Devrient (G&D) announces ambitious mobile wallet plans

G&D, the German banknote printer and smartcard security firm, has announced ambitious plans for its new mobile wallet, the SmartTrust Portigo.

- The SmartTrust Portigo will be an NFC-enabled mobile wallet which will use NFC technology for a much wider range of purposes than the mobile wallets currently on the market. G&D stated that, in the future, the SmartTrust Portigo could be used to store identity cards, access keys for buildings and vehicles or travel passes.
- The SmartTrust Portigo system will be provided to customers by a Wallet Issuer, for example a mobile operator or bank, and customers will download a 'Wallet Client' app onto their smartphone. The app will then connect to a secure element on the device, such as a SIM card, and a 'Wallet Manager' operated by the Wallet Issuer.
- Customers will then be able to download services from the Wallet Manager (such as virtual bank cards and vehicle keys) in the form of widgets to the app.
- Clearly an expanded mobile wallet of this kind could have the potential to cause serious data security issues, although G&D claims that the SmartTrust Portigo meets the most stringent security standards. G&D's vision could, however, be a taste of the potential of NFC-enabled mobile wallets in the future.

See a report [here](#) and the press release [here](#)

## 2.6 **Spain:** La Caixa launching Money to Pay pre-paid cards

- La Caixa has created Money to Pay, Spain's first electronic money operator dedicated exclusively to the prepaid card sector. La Caixa sees the prepaid card market as an area of large potential growth in Spain and is seeking to take advantage of this through its creation of Money to Pay.
- La Caixa intends to make Money to Pay prepaid cards available for purchase at outlets which have not traditionally been used to sell prepaid cards, such as shopping centres, retail outlets and newsstands. Additionally, customers will not require a La Caixa account to purchase Money to Pay prepaid cards.

See the press release [here](#)

## 3. **PRIVACY AND IDENTITY**

### 3.1 **Worldwide/Germany:** Android apps susceptible to data theft

- Research conducted by Leibniz University of Hanover and Philipps University of Marburg (Germany) has found that 8% of Android's most popular apps fail to adequately protect sensitive personal information such as bank account details and logins for social media sites.
- The report, which researched the security of 13,500 apps, found that 8% of the apps using SSL (Secure Sockets Layer) or TLS (Transport Layer Security)

protocols were susceptible to 'man-in-the-middle' attacks which target data as it passes between mobile devices and websites.

- The research also suggests that around half of users are unable to judge accurately the security of internet browsing sessions on mobile devices.

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

### 3.2 **Europe:** EU Commissioner Kroes: Do Not Track ("DNT") unlikely to ensure compliance with EU cookie laws

- Neelie Kroes, Vice President of the European Commission Directorate General for Communications Networks, Content and Technology (CONNECT), in a speech at the Centre for European Policy Studies made it clear that she had concerns about the delays and extent of the current version of the DNT standard proposed by the World Wide Web Consortium (W3C).
- The W3C has been attempting to develop a universal DNT standard for web browsers after pressure from the EU and the US Federal Trade Commission. However, Mr Kroes and the US FTC are concerned that it is being watered down.
- In particular, Ms Kroes made it clear that the current version would not meet providers' obligations under the 'cookie rules' in the ePrivacy directive, requiring informed consent from users to track their behaviour.

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

## 4. **SURVEYS AND REPORTS**

### 4.1 **Worldwide:** NFC payments to break \$100bn in 2016

- ABI Research has predicted that the value of NFC payments processed worldwide will reach \$100bn in 2016, up from just \$4bn today, and could be as high as \$200bn in 2017.
- ABI's report based its prediction of NFC technology's future growth on the increasing number of real-world case studies demonstrating the potential returns growing consumer awareness of the technology.

See a report [here](#)

## Contacts

### London:

**Hogan Lovells International LLP**  
Atlantic House  
Holborn Viaduct  
London EC1A 2FG

Tel: +44 (0) 20 7296 2000

[www.hoganlovells.com](http://www.hoganlovells.com)

### Ben Regnard-Weinrabe

Partner  
Tel direct: +44 (0) 20 7296 5649  
Email: [ben.regnardweinrabe@hoganlovells.com](mailto:ben.regnardweinrabe@hoganlovells.com)

### Mark Taylor

Partner  
Tel direct: +44 (0) 20 7296 5370  
Email: [mark.taylor@hoganlovells.com](mailto:mark.taylor@hoganlovells.com)

### Washington:

**Hogan Lovells US LLP**  
Columbia Square  
555 Thirteenth Street, NW  
Washington, DC 20004

Tel: +1 202 637 5600

### Timothy Tobin

Partner  
Tel direct: +1 202 637 6833  
Email: [tim.tobin@hoganlovells.com](mailto:tim.tobin@hoganlovells.com)

### Mark Brennan

Attorney at Law  
Tel direct: +1 202 637 6409  
Email: [mark.brennan@hoganlovells.com](mailto:mark.brennan@hoganlovells.com)

### Frankfurt:

Untermainanlage 1  
60329 Frankfurt am Main  
Germany

Tel: +49 (69) 962 36 0

### Richard Reimer

Partner  
Tel direct: +49 (69) 96236 414  
Email: [richard.reimer@hoganlovells.com](mailto:richard.reimer@hoganlovells.com)

### Paris:

6, avenue Kléber  
Paris 75116  
France

Tel: +33 (1) 53 67 47 47

### Sebastien Gros

Counsel  
Tel direct: +33 (1) 5367 1623  
Email: [sebastien.gros@hoganlovells.com](mailto:sebastien.gros@hoganlovells.com)

### Rome:

Piazza Venezia 11  
Rome 00187  
Italy

Tel: +39 (06) 675823 1

### Jeffrey Greenbaum

Partner  
Tel direct: +39 (06) 675823 28  
Email: [jeffrey.greenbaum@hoganlovells.com](mailto:jeffrey.greenbaum@hoganlovells.com)

### Madrid:

Paseo de la Castellana,  
51 Planta 6ª  
28046 Madrid

Tel : +34 91 3498 200

### Joaquin Ruiz Echauri

Partner  
Tel direct: +34 (91) 3498 295  
Email: [joaquin.ruiz-echauri@hoganlovells.com](mailto:joaquin.ruiz-echauri@hoganlovells.com)

# www.hoganlovells.com

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