

Payment and Related Innovation Update
6 March 2013

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1. REGULATORY DEVELOPMENTS

1.1 Europe: Electronic Money Directive ("**EMD**") to be reviewed in November 2014

- The European Commission has postponed their review of the second EMD (2009/110/EC) from November 2012 to November 2014 because of delays by members states in implementing the Directive.
- The Commission has said the review will be based on studies this year of how the EMD has been implemented and its economic impact.

See their answer [here](#)

1.2 Italy: Bank of Italy publishes Single European Payment Area ("**SEPA**") guidelines

- The Bank of Italy has published guidelines implementing the new SEPA migration end-date regulation (260/2012). The SEPA migration regulation sets common standards for banks handling direct debits and credit transfers in euro and amends the European Union's regulation on cross border payments (924/2009).
- The guidelines establish a deadline of 1 February 2014 for the migration of domestic credit transfers and direct debits to SEPA, although there are some derogations from that deadline, such as for certain niche products subject to a delayed deadline of 1 February 2016.

See our newsflash [here](#)

2. PAYMENTS MARKET DEVELOPMENTS

2.1 Worldwide: Samsung and Visa enter "global alliance" for contactless payments

- Samsung has announced a "global alliance" with Visa, under which it has agreed that it will soon start to supply mobile devices with in-built Visa technology, by pre-loading Visa's payWave applet onto selected new handsets that have near field communications ("**NFC**") capability. This will allow customers to make contactless payments at NFC-enabled terminals with Visa's payWave service.
- Financial institutions with mobile payment services will be able to download customer account information to the new Samsung devices using Visa's mobile

provisioning service. As a result, it should be much easier for users to link their payment accounts with mobile payment apps on their smartphones.

- This partnership appears to signal both firms' strong commitment to NFC technology.

See a report [here](#)

2.2 **Worldwide:** Visa ready for new payment partners

- To support the integration of Visa payments technology into new payment solutions, Visa has introduced the Visa Ready Partner Programme. The programme incorporates the existing process for approving mobile NFC-enabled devices as well as a new process to ensure mobile point-of-sale ("**MPOS**") acceptance solutions meet local requirements, and a new Visa Ready symbol to identify payment devices and solutions approved for use.
- Visa's primary aim is to make it simpler for mobile device manufacturers, technology partners, mobile network operators and other players to ensure devices, software and solutions are compatible with Visa requirements (which vary from country to country).
- In addition, Visa will make available open APIs and software development kits ("**SDK**") to enable connectivity to Visa via specified payment gateways. It will also provide other tools, applications and services for developers, and streamline the compliance testing process.
- The programme is designed to encourage financial institutions and merchants to adopt new payment methods as they will have the reassurance of Visa approval, and support Visa's goal of expanding the use of electronic payments globally.

See a report [here](#)

2.3 **Europe:** iZettle signs Banco Santander as banking partner and launches new card-reader

- iZettle, the MPOS provider, has announced that Santander has agreed to be its banking partner and will offer iZettle's MPOS solution to small merchants in Spain.
- iZettle's solution allows merchants to accept card payments from customers on a mobile device. Until now, this has meant using a "dongle", plugged into the merchant's mobile device, to read the customer's payment card, and authenticated by customer signature.
- iZettle has now launched a new card-reader, which will allow merchants to accept chip-and-PIN payments on their mobile devices. The new card-reader incorporates a PIN-pad and connects to the merchant's mobile device via bluetooth, with the merchant managing the transaction on-screen as previously. Importantly, the new solution is compliant with Europay, MasterCard and Visa ("**EMV**") level 2. This will simplify the process for certain merchants, who have had to use a workaround on iZettle's existing card-reader to allow the processing of Visa payments.
- The card-reader will be available in Spain, Germany, Sweden, Norway, Finland and the United Kingdom, at a cost €49/£49, although iZettle has promised

Spanish merchants signing up through Santander a "substantial discount". iZettle also charges a 2.75% transaction fee.

See a report [here](#)

2.4 **United States:** PayPal co-founder launches Affirm mobile payments solution

- Max Levchin, a co-founder of PayPal, has announced the launch of his new mobile payments start-up Affirm, which aims to increase merchants' mobile sales volumes through a simplified "two taps" check-out process. Customers will be offered a digital charge card, giving them an interest free 30 days' period to pay for their purchases.
- Affirm is planning to use Facebook to authenticate users.

See a report [here](#)

2.5 **Australia and Canada:** MasterCard launches MasterPass

- MasterCard has updated its PayPass digital wallet with the launch of MasterPass. PayPass, introduced in May 2012, stores payment card details allowing users to pay online and make contactless payments with NFC-enabled smartphones.
- MasterPass upgrades PayPass by allowing merchants to integrate it into whatever mobile-friendly payment option they wish to offer – for example, contactless payments, quick response ("QR") or online payments.
- MasterCard will also allow merchants and banks to offer their own branded digital wallets via a MasterPass API. Customers will be able to use the same range of store and payment cards in an own-brand wallet or a MasterPass digital wallet.
- MasterPass will be launched in the US in spring 2013, with a UK launch expected to follow in the summer.

See a report [here](#)

2.6 **Kenya:** MasterCard partners with Equity Bank and Ezetap to offer MPOS technology

- MasterCard announced at the Mobile World Congress that it will partner with Equity Bank, and MPOS provider Ezetap, to offer mobile point-of-sale (MPOS) solutions to merchants in Kenya.
- Merchants will be able to accept payment through a mobile phone using Ezetap's app, which the merchant must download, and a card-reader "dongle" which plugs into the merchant's mobile device. The merchant can then swipe a customer's payment card through the card reader to accept payment and manage the transaction on the mobile device.
- The pilot will target selected merchants, with a wider roll-out expected to be available to merchants with transaction volumes of less than USD\$100,000. This initiative will be supported by MasterCard and Equity Bank's plan to issue five million debit and prepaid cards in Africa (which we reported in January).

See a report [here](#)

2.7 **China:** Gemalto and China Unionpay to develop a secure NFC ecosystem

- Gemalto, the digital security company, and China Unionpay have announced an agreement which will see Gemalto taking a lead role in developing a secure NFC ecosystem for China.
- The move will boost the hopes of those expecting the accelerated uptake of NFC technology, and it will be interesting to see whether the involvement of Gemalto (which claims to have deployed more than fifty NFC projects to date) will help China Unionpay achieve the critical mass necessary to make NFC a real success.

See a report [here](#)

2.8 **Latin America:** MasterCard teaming with Itaú to offer NFC payments in Latin America

- MasterCard has announced that it is launching its first NFC payments project in Latin America, in partnership with Brazilian bank Itaú, wireless carrier TIM, payment processor Redecard, and Gemalto.
- Consumers who sign up to a virtual account offered by Itaú will be able to pay by tapping their MasterCard PayPass-enabled mobile device onto an NFC-enabled Redecard payment terminal.
- Following the recent announcements by mPowa (the MPOS provider) and Bango (who provides carrier billing services) on which we have reported previously, MasterCard's announcement suggests an increased activity and focus in relation to Latin America's payments markets.

See a report [here](#)

3. **SURVEYS AND REPORTS**

3.1 **United States:** Mercator Advisory Group believes that the US market unlikely to meet 2015 EMV deadlines

- In its report "*U.S. EMV Timeline Beyond the Road Maps: How Long Will Conversion Really Take?*", Mercator Advisory Group argues that US merchants, acquirers and processors are not following the relevant "road maps" to achieve nationwide compliance with the EMV security standard by 2015.
- The road maps have been issued by all major US payment networks, beginning with Visa in 2011. The plans include milestones which stakeholders must meet, as well as penalties which will be imposed on those failing to comply.
- Mercator argues that experience in other markets which have made the switch to EMV, along with similar technology conversions in the payment industry, suggests that the current timelines to be met are now unrealistic.
- The report implies that players in the burgeoning MPOS market will need to continue developing two different MPOS solutions if they wish to challenge on a global platform – one solution for North America which uses the payment card's magnetic stripe for authentication, and one for much of the rest of the world, which uses chip-and-PIN as the method for authentication.

See a report [here](#)

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