

Payment and Related Innovation Update
9 January 2013



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1. REGULATORY DEVELOPMENTS

1.1 **United Kingdom:** Financial Services Authority ("FSA") to be replaced

- The Financial Services Act 2012 has received Royal Assent and will come into force on 1 April 2013. The Act will replace the FSA with the Prudential Regulation Authority and the Financial Conduct Authority ("FCA") and will create the Financial Policy Committee, which will be part of the Bank of England.
- Responsibility for payments regulation, such as the Payment Services Regulations 2009 and the Electronic Money Regulations 2011, will pass to the FCA.
- The Act will also transfer responsibility for consumer credit regulation from the Office of Fair Trading to the FCA from 1 April 2014.

See the Act [here](#)

1.2 **United Kingdom:** Payment surcharges prohibition introduced

- The Consumer Rights (Payment Surcharges) Regulations 2012 were made on 18 December 2012, and will come into force on 6 April 2013. They implement Article 19 of the Consumer Rights Directive.
- The Regulations prohibit "traders" (e.g. retailers) from making consumers pay a surcharge to use a particular means of payment (e.g. a credit or debit card) if the surcharge exceeds the trader's related costs.
- We would observe that traders may face difficulties both in determining which costs they can take into account, and in obtaining information as to their costs (including, potentially, data as to the merchant service charge for a particular transaction).
- There is a range of exemptions from the prohibition, including where a consumer is purchasing "services of a banking, credit, insurance, personal pension, investment or payment nature".

See the Regulations [here](#)

1.3 **United Kingdom:** Payments in Euro (Credit Transfers and Direct Debits) Regulations 2012 (the "**UK Regulations**") published

- The new UK Regulations will come into force on 15 January 2013, implementing certain articles in the European Union's ("**EU's**") Single Euro Payments Area Migration Regulation 2012 (260/2012) (the "**SEPA Migration Regulation**").
- The SEPA Migration Regulation sets common standards for banks handling direct debits and credit transfers in euro, and amends the EU Regulation on cross-border payments (924/2009).
- The UK Regulations appoint the FSA (from 1 April 2013, the FCA) as the relevant enforcement authority, and revoke the existing Cross-Border Payments in Euro Regulations 2010.

See the UK Regulations [here](#)

1.4 **Italy:** Italy suspends card payments in Vatican City

- The Bank of Italy has taken action to ensure suspension of all bank card payments in the Vatican City, stating that the Vatican has failed fully to implement anti-money laundering legislation. The Vatican could lose substantial tourism revenue as a result.
- In a statement, the Vatican responded that the suspension should be 'short-lived'.

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

2. **PAYMENTS MARKET DEVELOPMENTS**

2.1 **Worldwide:** VeriFone exits mobile point-of-sale ("**mPOS**") market

- VeriFone, the global payments equipment manufacturer, has announced that it will discontinue SAIL, the mPOS service it released 18 months ago. VeriFone now intends to provide a SAIL-type product through third party providers, instead.
- VeriFone has stated that tight profit margins, the cost of acquiring new merchants, and the high attrition rate of merchants, were all factors in its decision. It believes that the companies which will succeed in this area are those which can provide additional services to merchants – for example, Square's use of Square Wallet in partnership with Starbucks (see below for more).
- The end of 2012 saw a number of new entrants to the mPOS market. However, VeriFone's decision may herald a shift towards consolidation as the market starts to mature.

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

2.2 **United Kingdom:** London buses start accepting contactless payments

- London buses are now accepting contactless payments from near field communication ("**NFC**")-enabled credit, debit or charge cards. Customers are able to purchase single-fare tickets at the same discounted rate at which they are

available to Oyster card users. (The Oyster card is London Transport's existing reloadable, contactless travel card.)

- Approximately 36,000 users a day board a London bus but have insufficient funds on their Oyster card to pay for their fare. This advance means that they would be able to use a contactless payment card instead.
- By the end of 2013, customers will be able to pay for fares using contactless credit, debit or charge cards on the London Underground, Docklands Light Railway, London Overground and on trams. Given the current pricing proposition, it will be interesting to see whether use of contactless cards will largely replace Oyster cards in the future.

See a report [here](#)

2.3 **United States:** QSecure unveils innovative payment card

- QSecure Inc. has unveiled IMAGO – a 'powered payment card' linked to a mobile app.
- To use IMAGO, the user first needs to store account details on the app. This can be done by swiping any card (e.g. credit, debit or loyalty card) with a mag stripe through the card-reader dongle supplied by QSecure – quicker than typing in lengthy account details on-screen. The user can then load their IMAGO payment card with their stored account details by tapping their IMAGO card on the screen of their smartphone, while the app is open. The IMAGO card can then be used instead of the original card.
- The only issue may be that cost of the card and dongle is \$59, which could be too steep a price to pay for many consumers.

See a report [here](#)

2.4 **United States:** Starbucks starts selling Square dongles in-store

- Another facet was added to the burgeoning partnership between Starbucks and Square as Starbucks announced that it had started selling Square card-reader dongles in its stores.
- Square's dongle, which incorporates a card-reader, allows users to accept payments on their mobile device by swiping a card through the dongle. The dongle costs \$10, but \$10 will be refunded by Square to the user's merchant account, rendering the cost effectively zero.
- The move signals an increasingly tight partnership between the two companies – a model which may be seen more in the future as the necessity for companies to set themselves apart in the competitive payments marketplace grows.

See a report [here](#)

2.5 **India:** State Bank of India ("SBI") launches mobile wallet

- The SBI has launched State Bank MobiCash Easy, a mobile wallet which offers customers facilities including the ability to transfer funds, pay bills, make balance inquiries and view mini-statements.

- The MobiCash Easy wallet consists of a pre-paid account, which can be used to transfer funds to any bank account, or to any other mobile wallet issued by SBI. However, cash withdrawal is not currently permitted.
- The mobile wallet, which the SBI said is targeted at migrant workers and the younger generation, can be topped up by depositing cash at any Oxigen retail outlet, or by using SBI's mobile banking service.

See a report [here](#)

3. OTHER MARKET DEVELOPMENTS

3.1 United States: New York taxis to trial hailing and payment apps

- The New York City Taxi and Limousine Commission has announced that it will pilot a programme allowing passengers to use "e-hail" apps, such as Uber and Hailo, to flag down a yellow cab and pay for fares.
- The trial, which starts after 15 February 2013, will require providers to meet certain guidelines to protect passengers from being overcharged and ensure that only licensed yellow cabs are 'hailed'. There will also be location limits, so passengers can only hail a cab within half a mile of their location within Manhattan's central business district or within a mile and a half when outside of this area.

See a report [here](#)

3.2 Canada: NFC print advert published

- Rogers Communications, Canadian Imperial Bank of Commerce ("**CIBC**") and Research in Motion have worked with Crosscliq, a technology company, to produce Canada's first ever NFC-enabled print ad, which appeared in limited copies of the December edition of Connected Rogers Magazine.
- Tapping the Blackberry print ad with an NFC-enabled mobile device allowed readers to access a choice of three offers, including free premium Blackberry apps.
- Readers who tapped on the ad were also offered the option to download CIBC's 'Sure Tap' mobile payment app, which it launched in late 2012 in conjunction with Rogers Communications.

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

4. SURVEYS AND REPORTS

4.1 Nigeria: Government minister predicts surge in mobile payments

- Omobola Johnson, Nigeria's minister of communications technology, has predicted that the value of mobile payments in Nigeria will reach N151 billion (US\$936 million) by 2015, up from N228 million (US\$1.4 million) currently. He

also suggested that the number of registered mobile money agents, who are registered by the networks to withdraw or deposit money for consumers, will increase from around 3,000 to 50,000.

- The Central Bank of Nigeria ("**CBN**") has been promoting mobile payments as an alternative to cash payments for some time, with 16 mobile money operators currently licensed in the country. However, so far consumer uptake has been slow with surveys showing limited awareness of mobile money schemes.
- The CBN has directed licensed mobile money operators to connect to the country's National Central Switch by 28 February 2013 to increase the interoperability and reach of the systems, with the aim of increasing the uptake amongst consumers.

See a report [here](#)

4.2 **Sweden:** Security fears holding up mobile payment growth

- eMarketer, the data analyst, has published a report showing that, despite high levels of smartphone penetration, consumers in Sweden continue to be wary of using their mobile device to make in-store payments.
- While security was the greatest concern, the consumers surveyed were also worried about incurring additional charges for using their smartphone. The research reaffirms that mobile payment developers need to educate consumers about the safety of mobile payments in order to realise the growth potential in this market.

See a report [here](#)

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