

EPC Newsletter

SEPA FOR MOBILE

SEPA to go

EPC White Paper on mobile payments: consultation is going on now

26.09.11 BY DAG-INGE FLATRAAKER

Mobile phones have achieved full market penetration and rich service levels throughout the EU, making the mobile channel an ideal launch pad for SEPA payment instruments. The EPC is therefore developing the mobile channel as an initiation channel for SEPA payments. To achieve a common understanding on mobile payments amongst all market participants and to make known the specific activities of the EPC in this context the EPC has released the "White Paper on mobile Payments" for consultation. Dag-Inge Flatraaker highlights the role of the EPC in the process of exploring the new mobile ecosystem leveraging the SEPA infrastructure and sums up the objectives of the white paper. Stakeholders are invited to forward comments by 15 February 2010 (links to the relevant documents are included at the end of this article). A final version of the White Paper is expected to be published by April 2010.

Different stakeholders share a common expectation: mobile payments make life easier

According to latest data available, the current penetration of mobile phones in the developed economies is 97 per cent. Many consumers are already using mobile phones for services beyond the traditional voice calls and short messaging services (SMS). These services have been greatly facilitated by the current mobile network operators (MNO) infrastructure supporting packet-oriented Internet access through virtually full geographic network coverage. As a result, consumer expectations with regard to mobile phone functionality have increased dramatically.

This is signalled by the fact that "Smart Phones" are the market segment that is growing more strongly, and at a much higher rate than any other segment in the mobile market. Consumers are assuming this trend will continue and are eager to embrace new service solutions based on this delivery platform. Clearly payment services are recognised as one of the most important amongst these new mobile services. The availability of practical SEPA person-to-person mobile payments, either account or card based, would provide a realistic alternative to cash and cheques.

At the same time, merchants demand that new technology solutions provide a direct improvement to the efficiency of their operations, ultimately resulting in cost savings and in an increase in business volume. Merchants also expect that new technology reduces exposure to security issues (such as cash theft) and liability (such as illicit payments). Finally, merchants expect that new service-offerings introduce new opportunities for marketing and increased brand strength. Mobile-phone initiated payments, in particular those using the proximity approach, are very well positioned to achieve all these benefits for merchants and other stakeholders who are directly providing services to consumers.

Finally, many payments services providers have already identified mobile payments as their target for new growth opportunities. Different mobile payment pilots and commercial deployments are conducted in SEPA and elsewhere, where stakeholder feedback has been consistently very positive. Therefore the SEPA marketplace is clearly set for an immediate uptake of mobile payment services.

Exploring the mobile eco-system to promote SEPA: the role of the EPC

The EPC is establishing high level principles and a framework for mobile payments in order to create the necessary standards and business rules for payment services providers in this new area. Mobile payments constitute a new channel to leverage existing SEPA instruments; including the SEPA Credit Transfer Schemes (SCT) the SEPA Direct Debit Schemes (SDD) and SEPA card payments. The main focus is in the area of initiation and receipt of SEPA payments through mobile phones. As such, the channel does not put any constraint on the value or type of payments generated through it (all SEPA instruments are transaction amount-neutral). This remains a competitive decision by each individual payment service provider.

The standards, rules and best practices developed by the EPC are made publicly available to market participants and providers within the mobile channel value chain. It will be the responsibility of each of them, or of any grouping thereof, to decide when and how to adopt these, and in particular towards which segment or segments of the payments market their products and services will be geared. This could be, for example., the micro-payment segment, or any other segment.

One of the strongest business opportunities of mobile payments lies in introducing omnipresent services replacing cash. These services should speed-up daily transactions and lower the general operational cost of business. The EPC is particularly concerned with facilitating this by enabling highly-streamlined user experiences wherever risk management policies allow. In that respect EPC and other bodies are specifying minimum security requirements. However, the practical implementation of those requirements remains in the competitive space.

The EPC, therefore, focuses on the areas that form the basis for interoperability, and not those lying in the competitive space. It will also foster cross-industry cooperation to enable the mobile to become an efficient channel to initiate payments.

The EPC White Paper on mobile Payments

The main objectives of the EPC White Paper on mobile payments are:

- Inform stakeholders of EPC's commitment to mobile payments in SEPA;
- Outline the prioritised categories for mobile payments;
- Specifically analyse mobile proximity payments;
- Provide other information and examples of existing mobile payment deployments.

This white paper has been written in a non-technical style to ensure accessibility for all market participants, e.g. payment services providers and their customers, thus facilitating a common understanding of the EPC's initiative for mobile payments in SEPA. The document provides an introduction to mobile payments in relation to SEPA instruments and shows, through usage examples, how mobile payments can increase efficiency, effectiveness and convenience. The paper describes different mobile payment types, including mobile proximity and mobile remote payments. To further highlight the feasibility and advantages of mobile payments, several fully-illustrated sections are devoted to the introduction of extra detail for some significant mobile payment categories, as well as illustrating some approaches for subscription to mobile services.

In accordance with the priorities of the EPC with regard to the mobile channel, the first release of this white paper explores, in particular, mobile proximity card payments, by addressing several business and technical aspects. The paper clarifies that mobile payments do not modify the roles of existing stakeholders during card payment transactions, and demonstrates how service provisioning can be accomplished in coordination with the new players introduced by the mobile services ecosystem.

Next steps

This first release of the EPC White Paper on mobile payments has been published for banking consultation and comments are invited by 15 February 2010. The first edition of this white paper following evaluation of the feedback

received during the public consultation is expected to be published by April 2010. A second edition is scheduled for release in the fourth quarter of 2010 and will include a more detailed analysis, in particular regarding mobile remote payments. In addition, the EPC will provide further implementation guidance on mobile payments in forthcoming documents for both proximity and remote payments covering business, technical, security and legal aspects.

Dag-Inge Flatraaker is the Chair of the EPC M-Channel Working Group.

Related files:

[EPC White Paper on Mobile Payments](#) (Draft for consultation)

[Consultation documents pertaining to the EPC White Paper on Mobile Payments](#)

These links go to the EPC Members site.

A publicly-accessible link to the first edition of the EPC White Paper on mobile Payments following the public consultation will be added here once that document is available.

ARTICLE92