

Proximity Payments

A hand is shown hovering just above a white computer mouse, illustrating the concept of proximity payments. The background is a soft-focus image of a computer keyboard and mouse.

DNB

ABI Carte 2015 Conference - Rome,
5th and 6th November

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proximity payments solutions

Proximity Payments

Mr. D.-I. Flatraaker



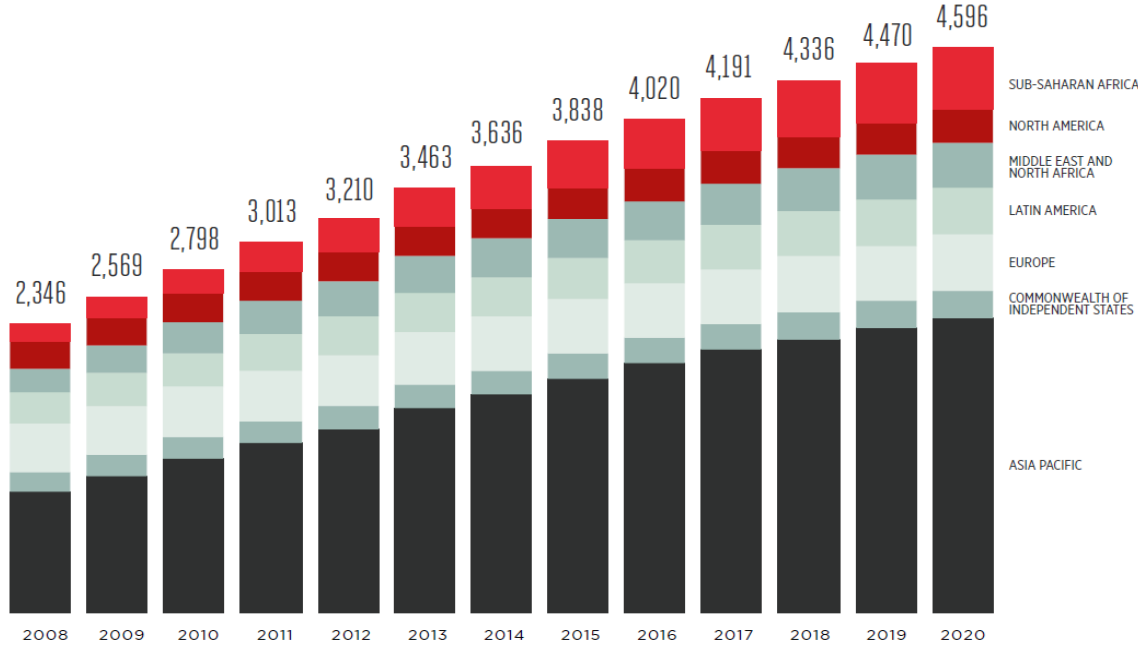
➤ **Mobile payments**

- Trends and facts
- Vision
- Challenges

➤ **Focus on proximity payments**

- ERPB Working Group
- What are the main barriers?

Mobile phones: some statistics



- Graph represents unique subscribers per region (millions)
- European penetration rate forecast to be 82% in 2020
- Smart phone adoption is reaching critical mass in Europe, now accounting for 60% of the connections
- Source: GSMA “The Mobile Economy 2015”

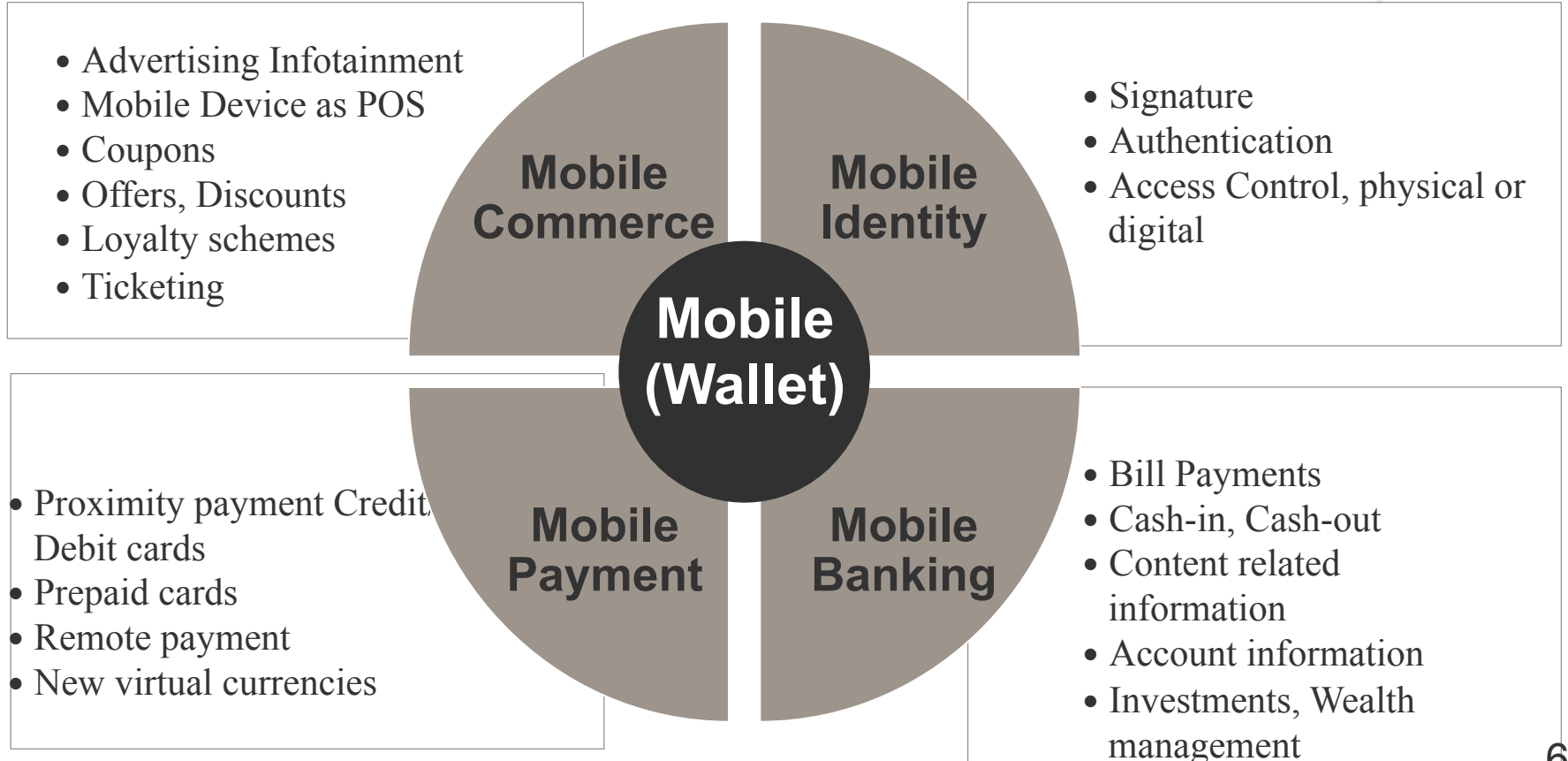
The payment game changed by new mobile technologies, increasing consumer readiness and emergence of new players



Source: K. Olsen – Danske Bank
D.-I. Flatraaker – DNB Bank

Overview on Mobile Services

Source: MobeyForum



Facts on mobile payments

- The mobile device is becoming a “key” channel for payments, regardless of the underlying payment instrument.
- The value of mobile transactions will increase from \$18 billion in 2012 to \$117 billion by 2017*.
- By year-end the mobile share of e-commerce transactions is forecast to reach 40%** worldwide.
- There is a fragmented market with a lot of initiatives which is typical for innovation and a sign of healthy competition.
- The mobile ecosystem still poses different challenges to PSPs compared to other stakeholders, both for remote and proximity payments.
- Mobile payments are often part of a much larger value chain (big data, loyalty, customer engagement, etc.) and can therefore not be looked at in “isolation”.

*Source: Mobile Payments World

**Source: Criteo: State of Mobile Commerce Q2 2015

Proximity Payments

➤ What?

A payment where the consumer and the merchant (and/or their equipment) are in the same location and where the communication between the consumer device and the Point of Interaction device (e.g. POS) takes place through a proximity technology (e.g., contactless including NFC, 2D barcodes, BLE, etc.). Proximity payments include but are not limited to contactless payments (based on radio frequency technology –ISO 14443).



➤ How?

The consumer device may appear in different form factors: physical card, mobile device, smart watch, tablet, smart watch,

ERPB Working Group

- Early 2014, the ECB launched the Euro Retail Payments Board (ERPB) to replace the SEPA Council, with the aim to help foster the development of an integrated, innovative and competitive market for retail payments in euro in the European Union.
- In December 2014, the ERPB established a dedicated Working Group consisting of various stakeholders on payment solutions whereby proximity technologies are used to initiate payments or transfer payment related data.
- The WG is expected to
 - i. elaborate a vision for mobile and card based proximity payments;
 - ii. identify the main barriers and gaps that need to be addressed to define the essential conditions for the realisation of the vision;
 - iii. identify concrete actions to be taken in order for the essential conditions in the cooperative space to materialise.
- The final report is to be presented for approval to the ERP Board meeting on 26 November 2015

ERPB Working Group Vision

“To ensure over time, across Europe, a secure, convenient, consistent, efficient and trusted payment experience for the customer (consumer and merchant) for retail transactions at the Point of Interaction (POI), based on commonly accepted and standardised contactless and other proximity payment technologies.”

This vision is based on the following guiding principles:

- Technical interoperability of contactless and other proximity transactions across Europe (based on common technical, functional and security standards and certification / evaluation framework) both for consumer devices (cards, mobile devices, wearables, ...) and POIs;
- Wide availability and usability of appropriate POI equipment and consumer devices;
- Appropriate security and privacy to build up and maintain trust.

ERPB Working Group Approach

- The ERPB WG conducted a survey amongst their participants to identify
 - Existing or planned mobile and card based proximity payment solutions;
 - Existing or planned white papers and technical and security specifications / standards related to mobile and card based contactless proximity payments;
 - Existing or planned regulations and recommendations / guidelines on mobile and card based proximity payments, including security and privacy aspects;
 - Issues or barriers that may prevent the development of pan-European proximity solutions.

- In total 57 responses to the survey have been received, representing 25 countries both from the demand and the supply side.

ERPB Working Group Survey Results (1)

- The survey reflected that nowadays the market has considerably matured with respect to card contactless payments, largely based on the EMVCo specifications, while it appears to be still early days for mobile proximity payments, including mobile contactless payments.

- NFC seems to be the widest adopted technology nowadays for mobile proximity payments (in analogy to contactless card payments) although also other technology solutions have been introduced to initiate mobile proximity payments such as 2D barcodes, beacons, ... It should be noted that for the latter, the underlying payment instrument may not be a card payment.

Main barriers for proximity payments (both card and mobile based)

- Lack of a common (open) set of specifications and implementation guidelines for proximity payments transactions
- Lack of customer demand and contactless payment experience
- Lack of ubiquity of POIs
- Security and privacy
- Consumer interaction with POI

Main additional barriers for mobile proximity payments

- Fragmented and immature mobile technology landscape
- Complexity and security of mobile devices
- Lack of ubiquity of appropriate mobile devices
- Mobile competitive landscape
- Regulatory framework
- Complexity of mobile ecosystem

ERPB Working Group Next Steps

➤ The barriers and key observations have been further analysed and form the basis for the WG to develop concrete recommendations including guidelines and actions to be taken in order for the essential conditions in the cooperative space to materialise towards the realisation of the vision, which will be presented in the final report in November 2015.

➤ The interim report containing a preliminary analysis of the main barriers is already available at

http://www.ecb.europa.eu/paym/retpaym/shared/pdf/3rd_erp_b_meeting_item1_interim_report.pdf?f2125b48d69e0a5fcc519ef37e8fe030

Questions ??

