Market Models & Regulation

ABI carte
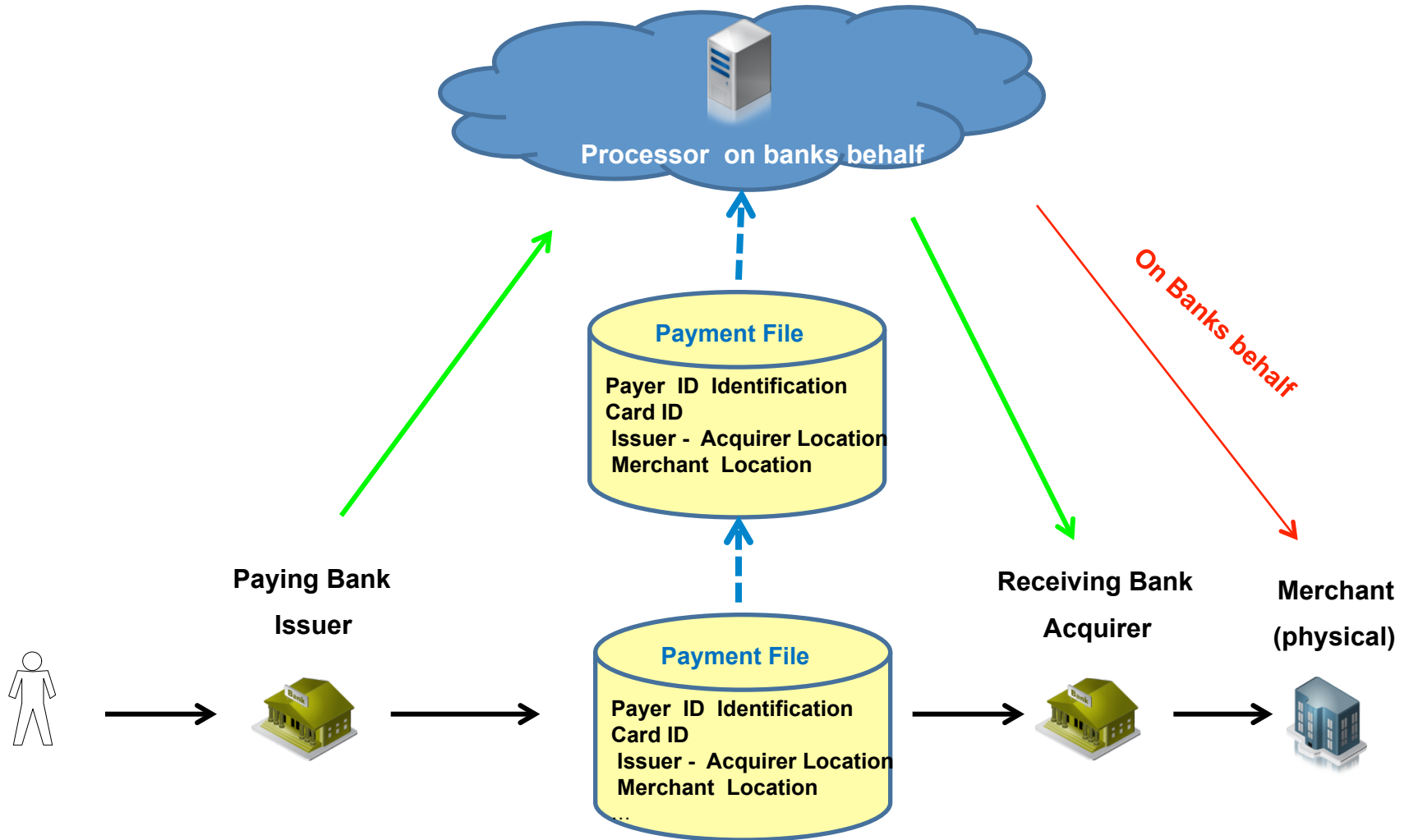
4 dicembre 2014

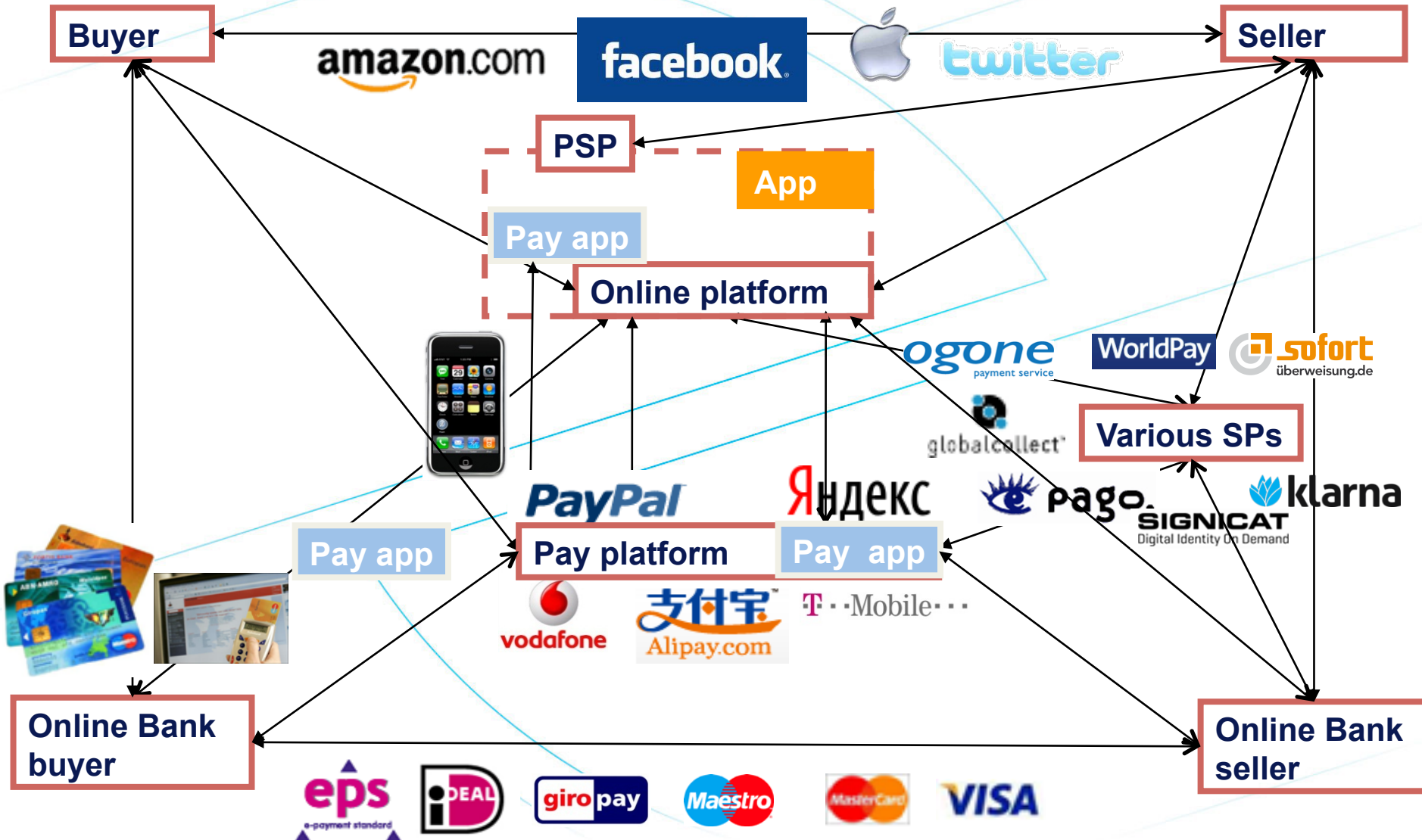## Ugo Bechis

UBI Banca - SEPA Delegate

EPC - CWG Chair , CSG Co-Chair

The Bank centered Model

Processor on banks behalf

On Banks behalf

Payment File

Payer ID Identification
Card ID
Issuer - Acquirer Location
Merchant Location

Payment File

Payer ID Identification
Card ID
Issuer - Acquirer Location
Merchant Location
..

Paying Bank

Issuer

Receiving Bank

Acquirer

Merchant

(physical)

Ugo Bechis

e-Commerce & e-Payment present landscape

Market players compete to retain value in <u>their</u> e-Com/e-Paym role

Latest e-Comm, "e & mobile" payment models   press release

<u>Device</u> <u>embedded</u> hw + sw based

- ✓ <u>V/MC/Amex</u> ditch acc. no.s, favour digital tokens for e-paym   01.10.2013
- ✓ <u>IBM</u> NFC tech two-factor authentication embedded on mobile   21.10.2013
- ✓ <u>ComBank</u> (Aus) mobile wallet (cards & merch) via **MC PayPass NFC**   01.11.2013

<u>Digital Remote</u> data + sw based

- ✓ <u>PayPal</u> mobile wallet app: bank, card payments, P2P transfer   06.09.2013
- ✓ <u>Amazon</u> shoppers credentials to initiate PayPal paym. & Infos access   10.10.2013
- ✓ <u>Google</u> Host Card Emulation bypasses Telcos NFC Secure Element   04.11.2013

➢ Models: extra-territorial ; Device vs Remote competition

➢ "Speed of the fastest" leads

Market players retain value in <u>their</u> e-Com/e-Paym role

<p align="center"><u>Digital Remote</u>   **Press release quote**</p>

- ✓ **<u>Amazon</u> shoppers credentials to initiate PayPal payments** 10.10.2013

  "**Amazon is taking on PayPal with a new service that lets online shoppers
  <u>use their</u>** (Amazon) **<u>log-in details</u> to make purchases on other e-commerce sites**"

- ✓ **<u>Google</u> Host Card Emulation bypasses Mobile NFC Secure Element** 04.11.2013

  "**Google has found a way to <u>circumvent</u> carrier restrictions on its mobile wallet by
  introducing support for Host Card Emulation ... <u>removing the need</u>
  <u>for access</u> to the telco-controlled Mobile Secure Element**"

- ➤ **Digital Remote models do not depend on "physical" hw (Chip, Mobile device)**
- ➤ **"Speed of the fastest" leads**

Delivery models : key steps to "value", security

Key delivery steps : a) **<u>Access points</u>** , b) **<u>ID</u>** , c) **<u>Data handling</u>**

Delivery steps   **Value & security factor**

1) Device access point   hw/sw : ID, geo-local, Proximity (NFC, QR code)

2) Website Entry point   Apps , "e-data clouds", e-Merch routing , ID

3) e-Commerce session   e-Merch user ID, retention "inside" session

4) Mobile, e-Payment   Access ID to Paym instrument, account info

➢ E-Commerce Models set priority on overall delivery steps, impact on Payments
➢ "Speed of the fastest" leads

New Payments Regulatory steps (non exhaustive)

EP-EU Council legislation

	Approval	Expected into force since
❑ **Card Regulation**	(planned Q.2.2014 ?)	**2014 - 2015**
❑ **PSD.2**	(planned 2014 , tbd)	**2016 - 2018**
❑ **Data Protection Regulation**	(expected Q.1-2015)	**2015 - 2016**

ECB - EBA via EU National Supervisors

	Approval	
❑ **E-Payments Security**	(approved 31.01.2013)	**02.2015**
❑ **Payment Acc. Access**	(expected Q.1-2014)	**02.2016**
❑ **Mobile Payments Security**	(Public Consultation to 01.2014)	**02.2017** (tbc)

Payment Industry will benefit from Regulators on-going steps

➢ **EU EP Regulatory Acts rule on Delivery Models, Players, Liabilities (re PSD.2 TPPs)**

➢ **ECB-EBA SecurePay rules will set security conditions for access**

Ugo Bechis