

***MTRA 2008 ANNUAL  
MEETING AND  
CONFERENCE***

***MOBILE PAYMENTS –  
A PUSH TOWARDS A  
CASHLESS SOCIETY  
OR A FAD?***

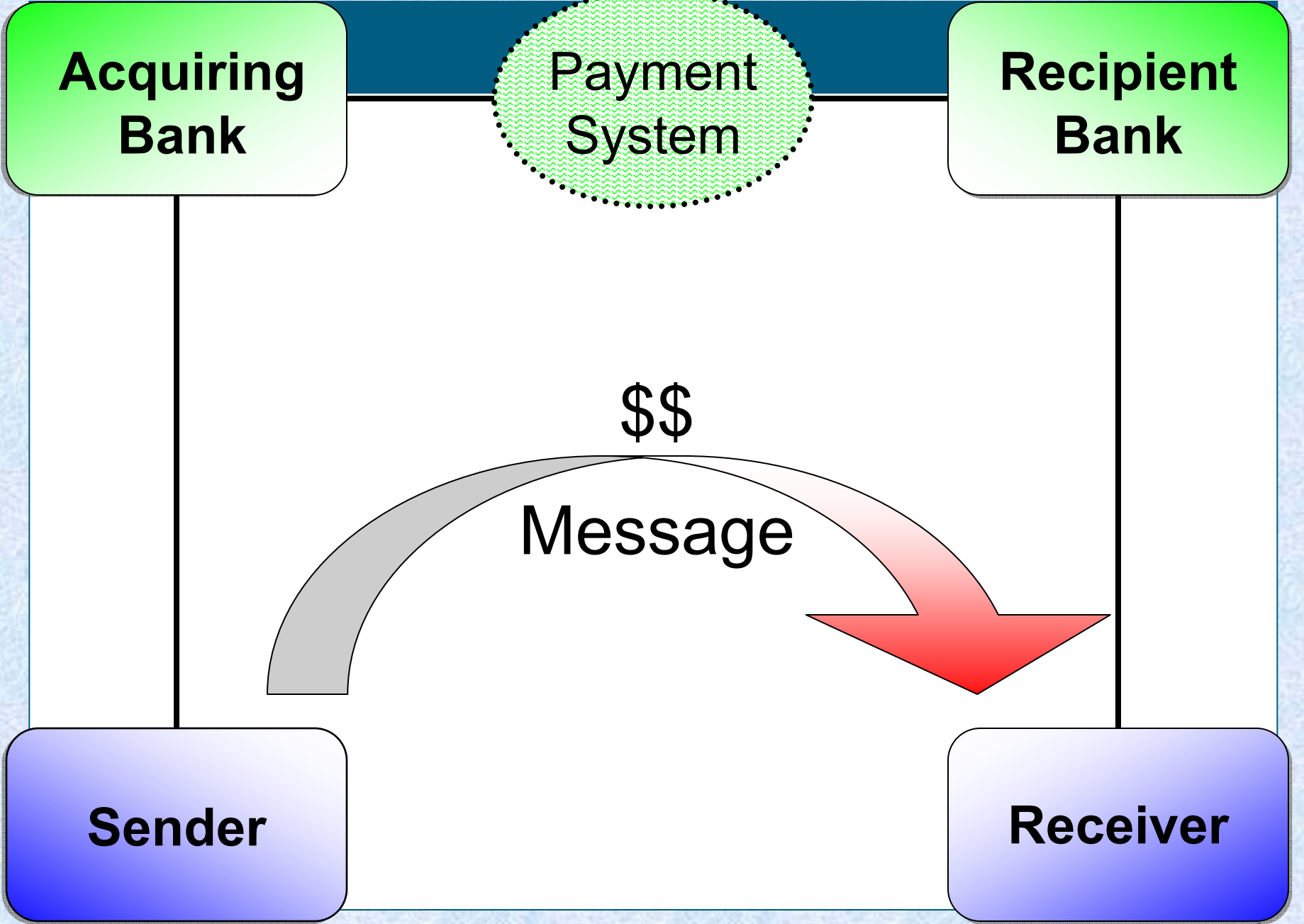
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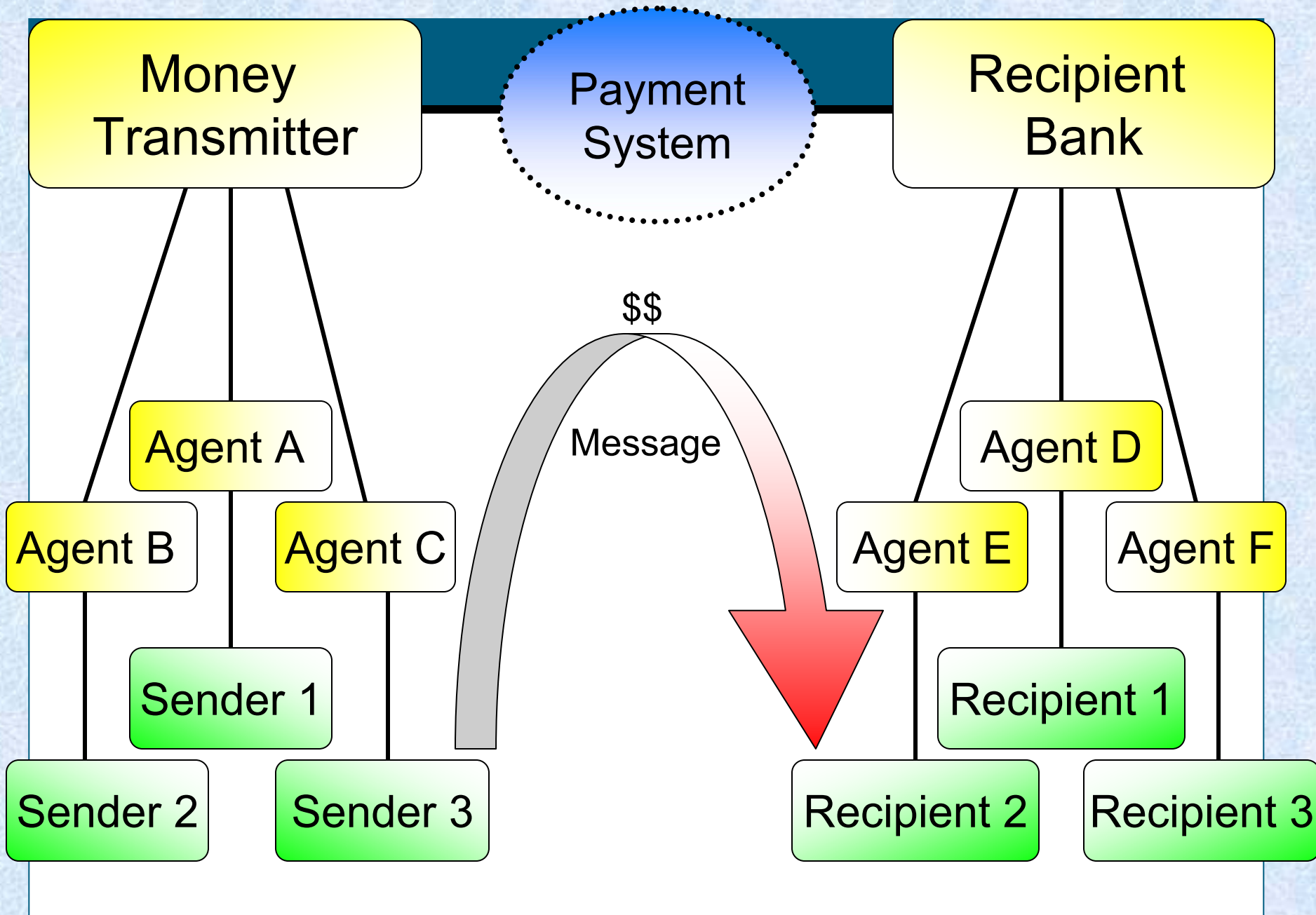
## *Mobile Payment Legal Issues*

- **Bank Regulatory Issues**
- **Telecom Issues**

### ■ **Bank Regulatory Issues**

- The movement of the funds must be analyzed for those issues that typically arise in the movement, and holding, of consumer funds





### ■ **Bank Regulatory Issues**

#### ■ State Money Transmitter Issues

- Does the Mobile Payment Company need to be licensed as a Money Transmitter?
- Does the Telco need to be a money transmitter or an agent of one?
- Other Agent Analysis
- Preemption Available?

#### ■ Registration with FinCEN as an MSB under the Bank Secrecy Act

## ■ **Bank Regulatory Issues**

- State Unclaimed Property Statutes

### ■ **Bank Regulatory Issues**

- Fair Credit Reporting Act
  - User
  - Disposal Rule

### ■ **Bank Regulatory Issues**

- Other Bank Secrecy Act Issues
  - AML Program
  - Assignment of Relevant AML Obligations
  - Creation of “Agent Program” (i.e. training)
  - CIP – “Account”

### ■ **Bank Regulatory Issues**

- Compliance with the Privacy Provisions of the Gramm-Leach-Bliley Act?
  - NPPI
  - Security Guidelines
  - Third-party Service Provider to a Federally-Insured Financial Institution

## ■ **Bank Regulatory Issues**

- TILA/Reg. Z
  - Credits

## ■ **Bank Regulatory Issues**

- Domestic Mobile Payment
  - Generally of less concern

### ■ **Bank Regulatory Issues**

- Cross-Border Mobile Payment
  - OFAC
  - Travel Rule (Special Recommendation VII of FATF Guidelines)
  - Inbound Payments – concerns about the originator

### ■ **Bank Regulatory Issues**

#### ■ Issues with a New Payment System

- New players with a lack of regulatory knowledge (Telco, Start-up)
- Rent-a-BIN
- Oversight of Third-Party Service Providers (CompuCredit, CB&T)

### ■ **Telecommunications Legal Issues**

- **Proprietary Networks:** Each of the 4 Networks spend approximately \$20 B per year on maintenance and build-out (T-Mobile, Sprint, ATT&T, VZW)
  - 4 Different Pipes: SMS, Voice, WAP/Internet, Enhanced Data Pipe
- **Heightened Customer Obligation: Quasi-Public Carrier (State AGs)**
  - Prohibited from off-shoring customer service
- **Telcos:** All services must move through our billing & reconciliation processes

## ■ **Telecommunications Legal Issues**

- Very aggressively moving against all mobile payment providers
  - The Telcos do not view themselves simply as air-time providers
- Three steps to getting approval from a Telco:
  1. Have someone on the business team that has done this before
  2. Engage vendors who have done this before
  3. Plan, plan, plan – there is a process in place

### ■ **Technology Security Challenges**

Technology	Security Issues
<b>SMS</b>	<b>Weak Encryption</b>
<b>Email</b>	<b>Viruses, Spoofed Emails</b>
<b>WAP</b>	<b>Phishing, Viruses, Man-in-the-Middle Attacks</b>
<b>Application</b>	<b>Malware</b>

A world map with a light gray background and dark gray outlines of continents and countries. A semi-transparent white rectangular box is centered over the map, containing the text "Foreign Mobile Payments" in a blue, sans-serif font. The map shows the Americas on the left, Europe and Africa in the center, and Asia and Australia on the right.

# Foreign Mobile Payments

## Kenya (M-PESA)

- Domestic money remittance service through SMS texting
- No bank involvement – operator's agents collect and remit cash
- Float held in operator's name in its own account
- Lax regulatory environment
- Cash-oriented population with weak banking access
- Considered safe way to store funds



## Philippines (G-Cash)

- International money remittance, bill pay, salary disbursement, etc. through SMS texting
- No bank involvement – operator's agents collect and remit cash
- Float held in operator's name in its own account
- Operators regulated as MSBs (KYC policies, volume limits)
- Cell phone coverage in remote areas



A world map showing the continents in light gray. South Africa is highlighted in a darker gray. A vertical blue line is drawn to the right of the map, extending from the top of the map area down to the text box.

## South Africa (Wizzit)

- Domestic money remittance, bill pay, minute purchase, etc. through SMS texting
- Bank sponsorship into Payments Association of South Africa
- May make deposits at Absa Banks and Post Office
- Use of physical debit cards tied to account
- 35% of the 16 million unbanked own cell phones

## South Korea (Moneta, K-merce, BankOn)

- Banking services, credit card services, stock trading, metro transportation payment
- IC chip stores bank data and encryption code for secure transactions
- IC chips controlled by customer's bank
- IC chips certified by credit organizations also available



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