

Regulation and definition of inovative payments

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- **Definition**
- Types + Regulatory framework
- Future - Green Paper

Definition

**What does it mean
„an inovative payment“?**

Definition

- Mobile payment (m-payment)
- E-wallet
- E-payment
- Internet payment
- Payment terminals
- Payment card

- Definition
- **Types + Regulatory framework**
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Types

- E-payment x internet banking
- M-payment x GSM banking

Payment system providers (§ 5)

Oprávněné osoby poskytovat platební služby jako podnikání jsou pouze tyto:

- banky za podmínek stanovených zákonem upravujícím činnost bank, zahraniční banky a zahraniční finanční instituce za podmínek stanovených zákonem upravujícím činnost bank,
- spořitelní a úvěrní družstva za podmínek stanovených zákonem upravujícím činnost spořitelních a úvěrních družstev,
- **instituce elektronických peněz za podmínek stanovených tímto zákonem,**
- zahraniční instituce elektronických peněz za podmínek stanovených tímto zákonem,
- **vydavatelé elektronických peněz malého rozsahu za podmínek stanovených tímto zákonem,**
- **platební instituce za podmínek stanovených tímto zákonem,**
- zahraniční platební instituce za podmínek stanovených tímto zákonem,
- **poskytovatelé platebních služeb malého rozsahu za podmínek stanovených tímto zákonem,**
- Česká národní banka

Payment services (§ 3)

- Cash deposits and withdrawals
- Transfer of funds
 - credit transfers
 - direct debits
 - **payment order given by payment instrument (e.g. payment card)**
- **M-payments**
- Money remittances

M-payment

- *„provedení platební transakce poskytovatelem služeb elektronických komunikací, jestliže je souhlas plátce s provedením platební transakce dáván prostřednictvím elektronického komunikačního zařízení.“*

Waivers of regulation

- § 3 odst. 3 písm. d) bod. 7

platební transakce prováděná

7. poskytovatelem služeb elektronických komunikací

*prostřednictvím elektronického komunikačního zařízení, slouží-li platební transakce k zaplacení zboží nebo služby, které jsou dodány do elektronického komunikačního zařízení a **budou užívány prostřednictvím elektronického komunikačního zařízení**, přičemž poskytovatel služeb elektronických komunikací nejedná pouze jako zprostředkovatel platby mezi uživatelem platebních služeb a dodavatelem zboží nebo služby,*

M-payments

- Czech mobile operators are active and would like to use the mobile as payment instrument – paying mainly for transport, ticketing, culture, sports, public fees, schools or internet shops.
- Users benefits are the ability to pay from anywhere at very easy anytime (no cash)
- It is quick and easy for everyone.

Types of M - payments

- DMS – Donors message service (2004)
- m-ticketing – Prague public transport (2008)
- m-doctor fees – in a few Czech hospitals (2008)
- m-parking, paying for e-newspaper or advertisement

M-payments

- It would be so **nice** to replace my wallet with a mobile phone – would it also be so **simple**?
- Everybody can open his/her wallet and pay with credit card or cash
- How many of 3 billion mobile users can really use extended mobile functionalities?



Public transport

- SMS ticketing in public transport
- **Prague public transport - 2007**
- Pilot project started November 22nd 2007 for bus, tram, metro
- already more 10% of tickets sold via SMS
- 2008 – potential also for other tickets and zones including city-railway
- Based on semi-premium SMS (MO billed)
- Positive feedback from other municipalities



Czech payment service providers

- 18 payment institutions
- 61 „waived“ payment institutions

Types of payment system providers

- Money remitters
- Mobile operators
- Issuers of credit cards
- On-line exchange offices
- Payment terminals

E-money (§4)

- „ *means electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions as defined in point 5 of Article 4 of Directive 2007/64/EC, and which is accepted by a natural or legal person other than the electronic money issuer* „
- EMI and „waived EMI“

Czech issuers of E-Money

- 1 Czech EMI
- 11 „foreign“ EMIs
- 7 (formerly 67) „waived EMIs“

Types of „waived EMIs“

- *Public transport*
- City card
- E - shops
- Cashless transfer via mobile phone (JAVA application)-*M-payments* (Mopet/Mobito)
- University/Campus

Licence

	PI	EMI
Issue of E-Money		X
Provide payment services, related E-Money		X
Provide payment services, not related E-Money	X	X
Provide related activities (incl. granting credits)	X	X
Operate payment system	X	X
Other business activities	X	X

Czech Republic – general overview

1) 44 banks which offer payment cards

- Banks (21) offer also:
 - Internet banking
 - GSM banking or
 - M-payments

2) Non-bank issuers of credit cards

Payment cards

- Payment cards are actually used mainly as payment instruments
- cash withdrawals at ATM
- bill payments, cash deposits,
- purchase of pre-paid credit for mobile phones,
- account balance,
- payment of invoices for mobile operators,
- activation of payment cards or expiration of payment cards.

Statistics (Czech Republic)

	2 005	2 006	2 007	2 008	2 009	2 010
Total number of ATM	3 005	3 096	3 357	3 534	3 573	3 868
Total number of POS	62 661	41 875	78 958	49 928	77 797	57 637
Total number of debit cards	6 555 512	6 603 621	7 196 868	7 220 667	7 811 609	7 400 919
Total number of credit cards	872 317	885 266	1 846 782	1 276 714	1 536 682	1 564 430

Statistics (Czech Rep.) - cont.

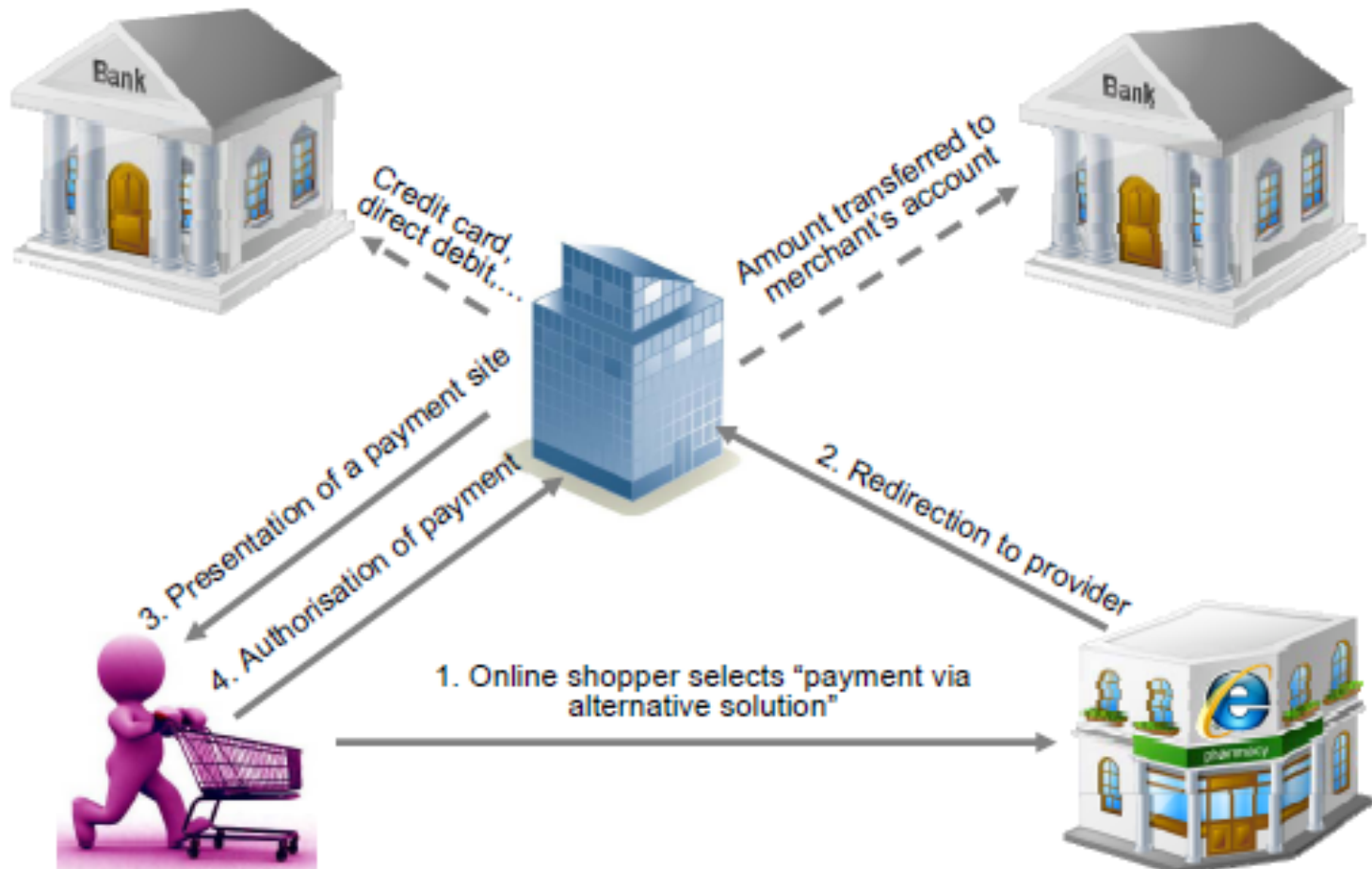
Total number of transactions (thousand)	2 005	2 006	2 007	2 008	2 009	2 010
Payments by debit cards	99 757	116 891	112 540	139 213	161 262	188 126
Payments by credit cards			25 360	30 042	32 970	36 284

Surcharging

- Article 52.3 PSD allowed
„The payment service provider shall not prevent the payee from requesting from the payer a charge or from offering him a reduction for the use of a given payment instrument. However, Member States may forbid or limit the right to request charges taking into account the need to encourage competition and promote the use of efficient payment instruments“
- Surcharging - is extra fee of merchant

	30.6.2009	31.12.2009	30.6.2010	31.12.2010	30.6.2011
Number of merchants offered cash back	2 777	3 899	4 225	4 868	4 949
Total value of CB transaction (thousand CZK)	19 769	115 976	68 801	290 436	109 839

Payment via other entity – E-payment



M-payment

M-Payments

Proximity Payments



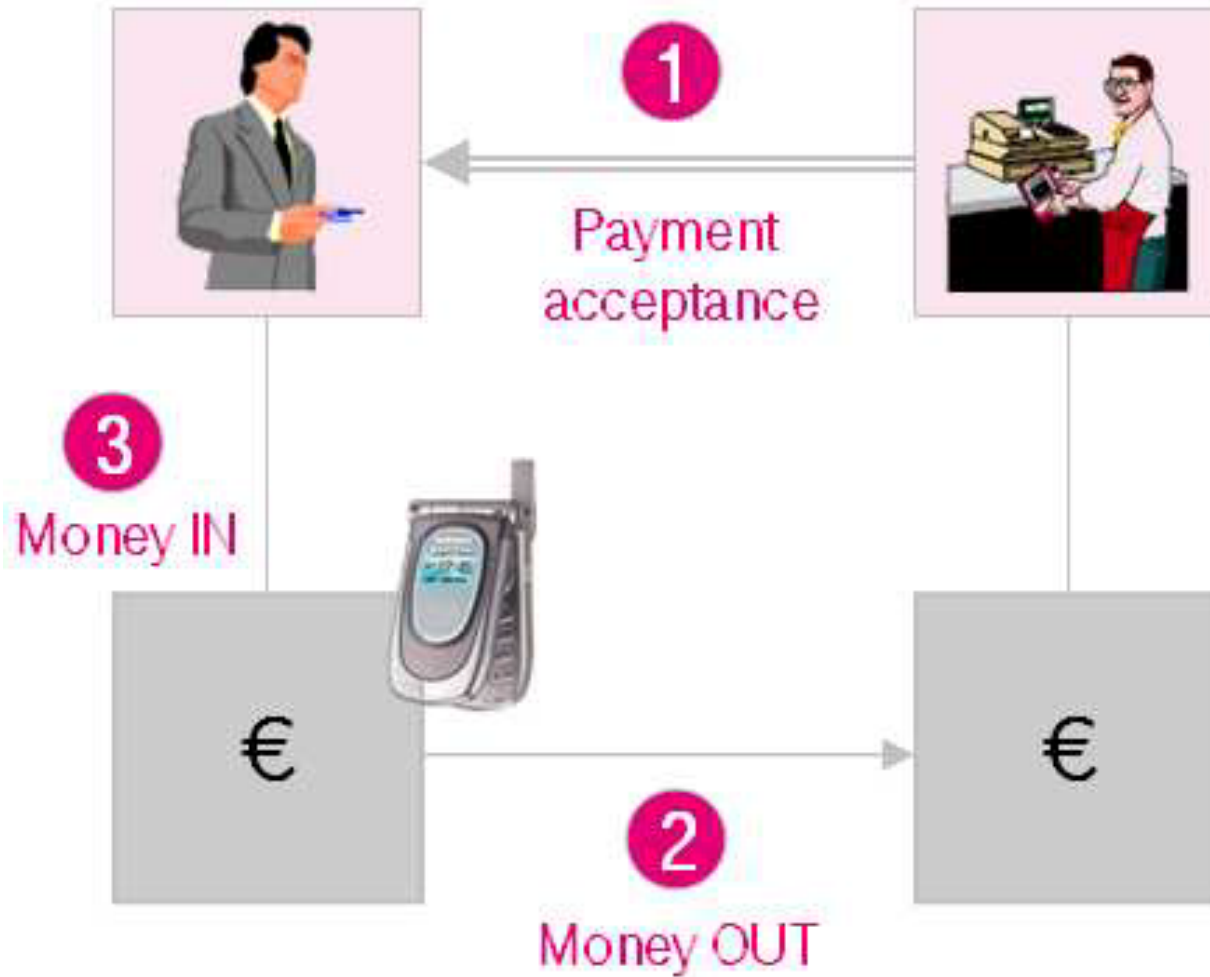
Initiates card payment

Remote Payments

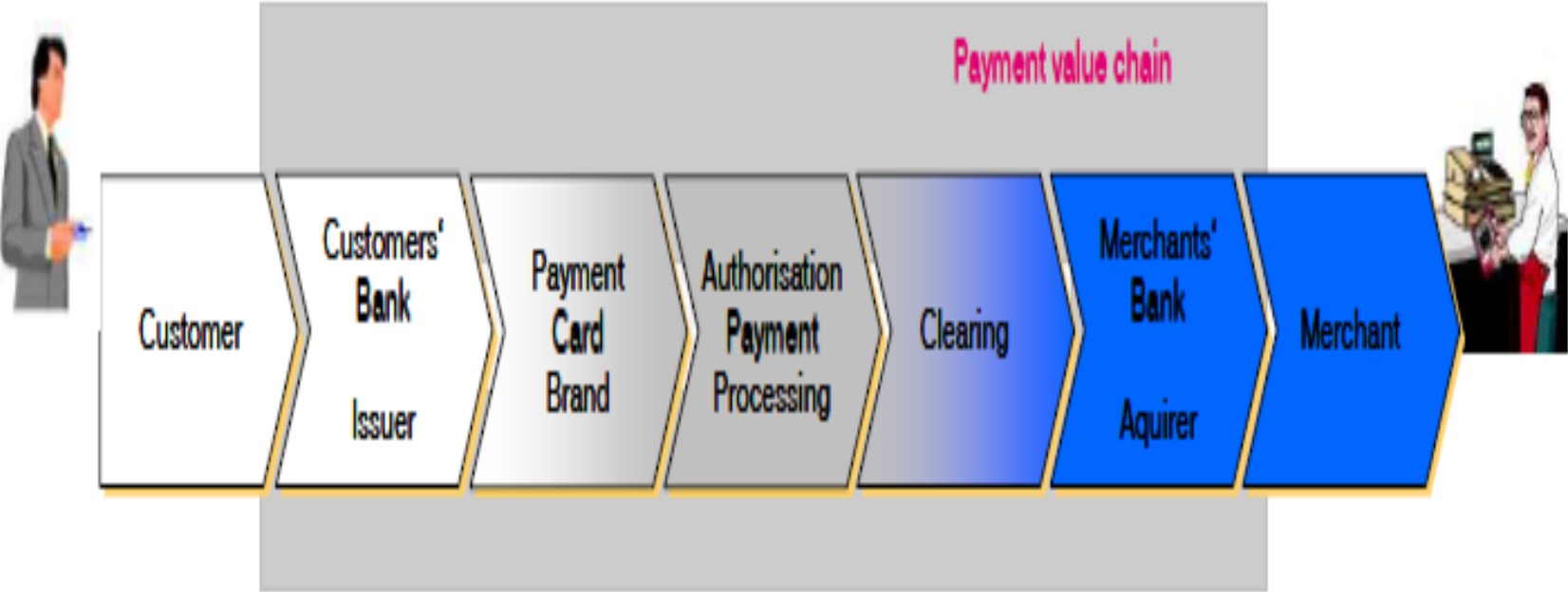


Initiates card payment or credit transfer

M-payment



Card scheme



Card scheme

- The payment card scheme represents the most robust value chain with 4 core parties involved:
 - Card holder/customer,
 - Issuer
 - Acquirer
 - Merchant
- Card authorization processing includes more participants:
 - brand provider (MasterCard, Visa...)
 - Authorization center (e.g. Global Payments Europe)
 - Issuer-Acquirer clearing provider (Czech National Bank)
- Payment Card Brands (Visa, MasterCard, Diners, Amex, JCB) enable wide acceptance of payment card through common EMV standards.

NFC

NFC (Near Field Communication)

Experience

- MasterCard - PayPass (Slovakia)
- Visa with payWave - Turkey or Poland.

M-payment

secure mobile contactless payments is needed:

- a chip or **Secure Element „SE”**

Bank Card Association

- Interest group of juristic persons - banks and other entities which promote the expansion of payment cards in the Czech Republic and coordinate the related activities
- Security Committee
SBK+APMS

Financial Arbitrator

- Commenced his activity on 1 January 2003 on the basis of Act No. 229/2002 Coll., on the financial arbitrator, as amended → legal acts of the European Communities
- Consumer protection in case of disputes
- Disputes concerning problems related to:
a debit card or other electronic device
- Instituted upon request by the petitioner

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Regulation of innovative payments

- Public consultation- deadline 11/4/2012
- Public hearing May 2012
- More than 300 responses
- First draft *2013?*

Regulation of innovative payments

- „SEPA“ for innovative payments
- Payment card as innovative form of payment?
- Unclear definitions
- „Payment“ by mobile phone
- Co-badging
- Access to payment system
- Availability of funds information

***Děkuji za pozornost
Dotazy ???***

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