

Mobile payments: grey clouds hiding blue skies

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Near Field Communication (NFC) has been on everyone's lips for some years now and it's needless to repeat that despite its obvious commercial potential, the technology has not taken off. Actually, this is not that surprising at all. SMS, a relatively straightforward technology took years to become the killer application it still is today.

With NFC, the main enabler of mobile payments, already approaching mass adoption in Japan and Korea, the rest of the world is indeed late to the party.

A recent industry survey conducted by Sybase 365 (January 2011) indicates that a main inhibitor of widespread mobile payment adoption has been a lack of coordination between the key stakeholders.

However, today we see an increasing number of major players from the mobile (MNOs) and card payment world (banks) exploring collaborative models with the aim to offer compelling mobile services to the retail market.

Some examples include the Six Pack initiative in The Netherlands whereby three leading retail banks and three mobile operators join hands to create a 'Wave & Pay' retail payment solution, Orange and Barclay joining forces in the United Kingdom, MasterCard and Telefonica in Latin America, among many others. Are we finally on the verge of a breakthrough? With innovative, reputed companies such as Apple, Research in Motion, Nokia and Google (among others) acknowledging the NFC mobile payment promise, things could really take a jump start.

Security anyone?

While for consumers the whole mobile services story needs to be as straightforward and transparent as possible (wave & walk) in reality

it isn't all that easy. And, just having NFC technology on a mobile phone is rather pointless. We need applications, interoperability, appropriate handsets, infrastructure and more importantly: a secure payment environment which creates consumer trust. In the end, it's the consumer who will decide on the future of NFC so evidently, a lack of transparency will seriously impede the mobile revolution we are all looking forward to.

Basically, for a customer, a phone with a mobile payment or mobile wallet application should function in a similar way as his or her trusted debit and credit cards used in ATM's, POS systems or like contactless cards that are swiped across a merchant's contactless terminal. Payment cards, however, function in an environment that is governed by national or international specifications with rigorous procedures and hardware requirements. To ensure interoperability, both cards and terminals need to pass laboratory exams, security audits etc.

Moreover, when embedded on a card, payment applications run in a secure environment, while on mobile phones they coexist with other applications on a mobile operating system (OS). Mobile phones also have keys, a display and other communication channels (Bluetooth, GPRS, etc.). This creates new issues and threats making the mobile phone more vulnerable to fraudulent activity. Until today no real standardised approach for technical infrastructures covering security and interoperability has been put in place...two vital elements for global commercial success.

The cross-industry reality

Clearly, this puts a burden on manufacturers of mobile equipment such as USIMs and handsets because eventually, mobile NFC payments – which will be the very important application in a first phase of NFC roll-out - will

need to be submerged within the existing "classic" card payment system. Mobile Phones and USIM card manufacturers are thus confronted with new requirements and should fit both the mobile technical demands and the stringent payment regulations of EMVCo, the standards body responsible for developing and maintaining the globally recognized EMV payment specifications. Light glows on the horizon though; what we witness on the ground - teams of complementary companies joining forces - is equally happening on regulatory level: Organisations representing groups of different stakeholders team up and work on common solutions to tackle existing technical and ecosystem problems. For instance EMVCo collaborates with the GSM Association (GSMA), the NFC Forum and Global Platform aiming to create a uniform, secure mobile payments standard and on application level these organizations have teamed up with the Smart Card Alliance.

From a testing point of view we, at Clear-2Pay, being a provider of both payment and mobile test tools, see that companies who are traditional mobile players now require both mobile and EMV test tools. It is thus expected that in the future these organisations will either go for common combined certification programs or that new certification programs will be needed. The GSMA just announced they are looking into launching their own certification and testing program with the aim to promote interoperability of NFC services.

Grey clouds or blue skies?

The payment and mobile markets used to be very separate and distinct worlds. Yet, over the past years, both sectors have converged to a certain point and created a cloudy space of opportunity. Looking at today's evolution, we see German mobile operators launching payment schemes bypassing German banks and US Telco's with plans to launch their own payment brand (ISIS) using NFC phones. Did I say evolution? With the payment and mobile industry borders vanishing, revolution is more in its place. And this revolution will chase away the clouds and open up blue skies of opportunity for banks, mobile operators and customers alike. ■