U.S. Mobile Payments

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U.S. Market: Contactless

- Visa PayWave
- MasterCard PayPass
- American ExpressPay
- Issuers
- Merchants
  - Convenience, speed
- Limited deployment
U.S. Market: Mobile

- POS terminals compatible with contactless
- Not deployed in US phones
- Decision up to US carriers
- Contactless stickers and SIM card
U.S. Market: Prospects

• Key driver will be merchant POS upgrade
• Existing infrastructure works well for both consumers and merchants
  – Are benefits worth the extra cost?
• Carriers as payment intermediaries
  – Driver would be interchange revenue
  – Limited engagement through digital content
  – Regulatory status?
  – Liability?
Policy

• Security
• Privacy Concerns
• Consumer Protections
Contactless Functioning

Card to terminal communication

Out of range

In range
Security

• Magnetic Stripe Card Payment Processing
  – Role of CVV

• Contactless and Mobile Processing
  – Role of dynamic CVV

• Key point: value of security code changes with each transaction

• Even if information is intercepted it cannot be used to make another card or transaction
Privacy

• No new privacy risk currently
• Same information is transmitted in both magnetic stripe and contactless transactions
• Possible privacy risk if payment information is combined with location information
RFID Privacy Regulation

- Payment applications included
- EU Recommendation
- Not clear it should apply to payment card application
  - Requirement to disable RFID chips at POS
  - Notice
Consumer Protection

- Mobile payment application processed by traditional payment card networks
  - Existing consumer protections apply
    - Limited liability, redress and dispute rights
- Other payment intermediaries
  - Protections voluntary
  - CTIA Mobile Financial Services code:
    - MFS Providers of mobile payment systems should create policies that cap liability for unauthorized transactions. Such policies should, at a minimum, comply with liability caps required under existing legal requirements