



White Paper

Mobile: New Distribution Channels for Retail Banking

Mobility creates a new paradigm for the distribution of basic banking products. Fundamentals of bank branches are being re-invented and wallets are now virtual... Are mobile operators the new entrants in the game? What are their benefits and value proposition?

November 2013

FINATIC
ICT & Finance Solutions

Table of contents

- 1 New Paradigm.....3
 - 1.1 A user community segregation3
 - 1.2 Retail banking distribution channels: segmentation needs.....3
- 2 New branch model4
 - 2.1 Mutualisation of branch networks4
 - 2.2 Diversification of branch network.....5
- 3 Make the bank “mobile”6
 - 3.1 Mobile e-wallets models6
 - 3.1.1 Vertical model6
 - 3.1.2 Horizontal model7
 - 3.2 From the 4-corner model to the 6-corner model7
 - 3.3 What e-wallet provider will emerge?8
- 4 Are mobile network providers the new entrants?9
 - 4.1 What justifies this positioning?.....9
 - 4.2 Why positioning mobile payments in corporate strategy?9
 - 4.3 What is the value proposition of mobile network operators to banks?.....10
 - 4.4 What is the value proposition of mobile network operators to consumers?11
 - 4.5 Why merchants will adopt it?11
 - 4.5.1 A broad(er) adoption12
 - 4.5.2 As simple as existing payment means.....12
 - 4.5.3 Cheap(er) and secure12
 - 4.5.4 With added value services.....12
 - 4.6 What additional revenue can mobile network operators get?12
 - 4.7 Success stories13
- 5 What other actor can play a role?15
- 6 Conclusion17
- Annex: Terminology & Acronyms.....18

1 New Paradigm

The “Mobile Revolution” happening these days is changing the fundamentals of how basic banking products are distributed to retail customers.

Basic products basically are savings and checking accounts, credit transfers, direct debit, standing orders, credit & debit cards, ...

1.1 A user community segregation

The rapid technology evolution has created a serious dichotomy in today’s world: the connected people who have embraced this mobile evolution and the traditional people who, for many different reasons, are staying away from these new devices.

Two segments of population can distinctly be defined in today’s retail banking community:

- The **connected community**: initially seen as geeks, these people are addicted to their mobile devices and cannot live without being connected. They usually are infoholic, present on social media and eclectics.
- The **traditional community**, can also be called the old-fashion or unplugged people, groups a set of different people who cannot follow technology evolution, or make the choice of not embracing this new way of living.

1.2 Retail banking distribution channels: segmentation needs

When it comes to basic retail banking products, banks are mainly using their own branches. For some years now, the internet is a channel but still undeveloped compared to the reach potential (note, there are many regulatory constraints refraining the “direct banking” such as the anti-money laundering checks that force customer identity check...)

The segmentation has to be done between connected and traditional communities. The main parameter to take into account is the fact that there are more and more connected people, and less traditional people.

A simple view is to associate the internet banking and the branch network to the two segments identified (connected and traditional people). This raises fundamental questions: Is internet banking the right model for mobile banking? And, is there a need for costly branches?

And therefore highlights two big challenges for retail banks:

- Make the internet banking solution “mobile”
- Create a new branch model

2 New branch model

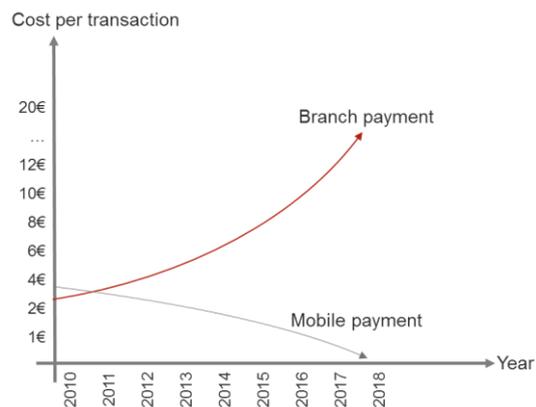
The rationale behind creating a new model for bank branches is the following:

- There are less and less people needing a branch
- The cost of running a branch is very high¹

It basically means that the cost of the branch network per visitor (or per transaction) is tremendously increasing.

If banks keep the current model as it is today, the cost per transaction at branches will follow the curve present in the graph² on the right.

Contrarily, the increase of mobile usage due to the emergence of new technologies and the change of customer behaviour, makes the cost per transaction via mobile phone decreasing.



The key challenge when creating a new branch model is the increase the revenue per branch employee. Either an employee will cost less, or the overall revenue will increase.

There are 2 solutions to meet these challenges: **Mutualisation** or **Diversification**.

2.1 Mutualisation of branch networks

Many villages in Western Europe have more banks than supermarket represented that makes the branch network unsustainable.

Two key aspects can generate economies of scales: the branch itself, and the IT system.

It will be politically difficult to see banks sharing their branches however we can imagine that non-competitive institutions decide to partner at branch level: a retail bank, together with an insurance, ... or more theoretically, associations with train stations and post offices can be a way forward.

Similarly, imagining different banks building a joint IT system seems unrealistic; however, the cost saving can come from using the same system for branches and on the internet.

Nevertheless, we don't believe mutualisation is the way forward...

¹ According to a Cap Gemini research, branches represent 75% of bank's total retail distribution costs

² Based on data gathered from Fiserv/Tower Group report on mobile banking; and from the BCG report on transaction banking advantage; interpreted by Finatic.

2.2 Diversification of branch network

Diversification consists of keeping cost of running a branch network and increasing revenues generated by the branches. As these branches are aiming to non-connected people, there is an opportunity to propose them a comfortable place to stop by, network, relax, ... We could imagine that branches are proposing a coffee place, with tables and chairs, some magazines and a book shop.

Diversification –hence cross-selling- would come from “easy-to-sell” packaged products or services. Customers, while queuing, can have opportunities to buy other products such as pre-paid phone cards, packaged holidays or city trips, television bouquets, etc

In no cases the branch employee should become an expert in non-banking domains!

3 Make the bank “mobile”

Today, all banks have an internet web site where customers can do their operations, some banks even provide the possibility to make complex operations such as foreign exchange, securities trading or mutual funds subscriptions.

These web-banking applications, created after the web revolution, were built to run on home computers. Mobile revolution is adding a parameter to the equation; the e-banking should become m-banking. There are many barriers to make current solutions mobile: obsolete architecture, complex windows, external security devices, ...

Banks are now building their mobile solutions and shall ask themselves the question to know what products should be available –first- on these mobile devices. Indeed, some operations are requiring complex processes, administration, and are not aimed to be finalised from a mobile devices –typically mortgages.

The analogy between the **banking services** required on your tablet or smart phone with what you currently have available within your physical wallet is very good! The way forward for banks is therefore to focus on **electronic mobile wallets**, as one of the mobile-banking services. This electronic wallet will be the last mile from the bank to its connected client.

There is an emergence of banks and service providers proposing e-Wallets for mobile payments. There is no doubt that each bank will propose such service to its customers, following two different models as described hereafter.

3.1 Mobile e-wallets models

There are many trends in the market however the Industry³ seems to segregate mobile e-wallets in two different models: **vertical** versus **horizontal**.

3.1.1 Vertical model

The **vertical** model is basically when the e-wallet is proposed and limited to one payment service provider (the e-wallet issuer). Pioneering banks will probably launch firstly a closed model for their wallet as it is a simpler implementation with a relatively short time-to-market. However we believe this model is not viable in a longer term perspective unless fully interoperable using a widely adopted standard. Concern with such model is the reach: customer reach as it will be limited to the issuer clients, but mainly the vendor reach and the underlying POS⁴ readiness.

³ According to the Mobey forum, a global, bank-driven business association accelerating the evolution of mobile financial services

⁴ POS : Point of Sale, the terminal used by merchants ensuring the transaction integrity.

3.1.2 Horizontal model

The **horizontal** model is more complex as it relates to an e-wallet that accommodates multiple mobile services from multiple payment service providers. Basically a “multi-bank wallet”.

The issuer of this e-wallet model can be

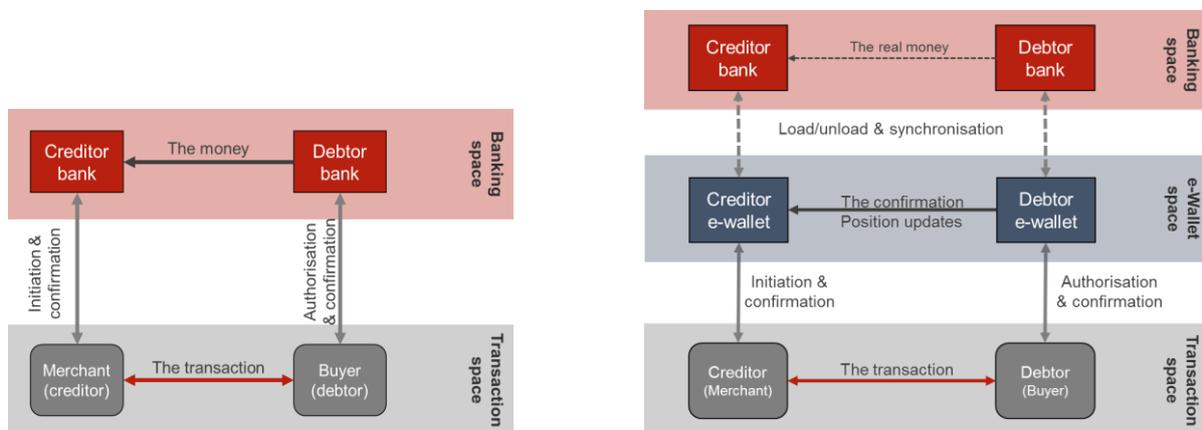
- a bank itself, leading a consortium of participating banks;
- a credit cards provider (Visa, Mastercard, American Express);
- an independent provider offering this service to PSPs⁵.

Whatever the provider is, in a longer term, wallets shall be interoperable using common standard and common practices, focusing mainly at POS acceptance, routing services, validation services and clearing between PSPs.

3.2 From the 4-corner model to the 6-corner model

The so-called 4-corner model is the broadly accepted model for current payments. Each corner correspond to a market player (buyer, seller and their respective banks).

Introducing an e-wallet that can be managed independently from the traditional bank operations introduce the possibility of having two additional corners in the model: the wallets of the seller and the buyer.



The traditional 4-corner model compared to the probable 6-corner model

This picture highlight the fact that wallets should be tightly coupled with bank services but also that e-wallets shall be fully interoperable to maximize efficiency and not increase complexity.

⁵ See chapter 5 on actors that can play a role in e-wallet

3.3 What e-wallet provider will emerge?

What e-wallet provider will emerge in the future? Almost impossible to predict but asking the question differently might highlight a potential new entrant!

“What are the **key to success** for the e- wallet operator that will emerge?” Leading banks embarking other participating banks will face political problems and technical challenges; credit card operators are somehow cannibalising existing business and are therefore obliged to price this service relatively high.

However, the e-wallet will have to make it simple and bring additional value to users. Some points are therefore crucial for an easy adoption: provide service at **low cost**, already have **many existing users** to avoid long ignition and client acquiring phase, has a large merchant **reach**, easy deployment to existing clients and **cross-border** usage –either by geographical coverage or easy interoperability with counterparties. This particularly suits telecom operators and more precisely the one providing wireless network access to mobile devices.

Finatic strongly believes that mobile network operators are ideally positioned to be the “mobile payment platform of choice”

A terminology concern

For simplicity and ease of understanding we will solely use the term e-Wallets to refer to the concept of electronic wallet, m-wallet, mobile wallet,...

We'll also use the concept of mobile payment platform to refer to the platform enabling the usage of e-wallets to perform the mobile payments.

A specific annex to this document focus on terminology.

4 Are mobile network providers the new entrants?

4.1 What justifies this positioning?

As explained in previous chapter, some mobile telecom providers are naturally positioned to be the “mobile payment platform of choice” and this is for many reasons:

- There are more smartphones sold than laptops. The trend is to be mobile, and obviously, to be connected. There is therefore a growing role for mobile network providers as they provide the **infrastructure** for connecting these devices and already have the **customer reach**.
- In the 6-corner model, the capture of the transaction is made by the merchants. It is obvious that not all merchants accept other payment means than cash; but today, it is correct to say that all merchants have contracts with telcos. Mobile network operators have therefore an important **merchant reach**, much more important than banks.
- In most countries, the state limits the number of mobile network operators providing 3G/4G mobile networks while there is no limitation on payment operators. There is therefore less political problems for payment provider to join alliances with them as they may be seen as a connecting **commodity**.
- Domestic operators around the world have already organised themselves in organisations to make their networks interoperable (roaming) and to allow cross-border access and payment using clearing of roaming fees. The infrastructure is already in place to make e-wallets **interoperable** with **global coverage**.

Now the big question is “why these operators will invest in e-Wallets? It is not natural for a firm providing telecommunication, to act as payment intermediary between consumers and banks!

4.2 Why positioning mobile payments in corporate strategy?

Today, mobile network operators are competing mainly on prices! They basically provide similar services, similar coverage and try to build competitive packages with predefined SMS volumes, free minutes, data volumes, ...

A first wave of differentiation came from the addition of television to the packages; or oppositely coming from TV operators adding mobile connectivity.

Basically their current marketing is based on 2 parameters: with/without television and make it cheaper! That makes competition very hard and margins very low!

All companies interested in increasing margins in such competitive area shall offer more than discounts, and TV is not a sufficient key differentiator. These specific telco operators should leverage their infrastructure with added-value products –one example is the **mobile payment platform** (most ambitious operators may go one-step further in proposing outsourcing e-wallet service to banks as operators are building large data centres and can leverage it that way).

Such service is interesting and can be combined with the other key development axe that mobile network operators are embracing: bringing **content** on top of their connectivity services.

Indeed, mobile network operators also wants to capture a higher percentage of media industry revenues but they increasingly emphasize a desire to co-operate with content providers rather than confront them.

Whatever the collaboration model chosen (revenue-sharing, exclusive reselling or acquisition), bringing content provider on mobile network is a **great data monetizing opportunity** for these operators.

Not all users will be interested by all contents and the **pay-per-use** model will most likely be adopted. The advantage of proposing a mobile payment service will allow the mobile network operator to leverage it and **combine** it to its content in order to offer a simple micro-payment method.

At any time a user will be interested by reading an article or viewing a moving on his device, the mobile wallet associated with its device will be used. Then the payment will most likely result to an additional item on the client monthly invoice.

4.3 What is the value proposition of mobile network operators to banks?

There are many reasons why banks would outsource the e-wallet management to independent operators.

- Reduce R&D costs as developing a mobile payment application that works on mobile and is operated 24h per day is not an easy task, and maintaining it consumes many resources. This is particularly true in a world where banks are overwhelmed by new regulations making available resources rare
- Reduce time-to-market of the mobile payment solution
- Reduce operating costs of running low margin activity will allow better pricing to end users –assuming e-wallet will consolidate transactions before communicating to banks (using eg netting, pre-paid, ...)
- Reduce complexity of managing multi-channel distribution
- Avoid political issues of entering an alliance led by a competitive banks
- Leverage the value proposition of mobile network operators in mobile payments

It is interesting to think of the latter and ask the question about the value proposition, or “what additional services can bring these specific telco operators to ease life of consumers and merchants?” because banks will be interested in outsourcing the management of their e-wallet to mobile network operators only if it help them to increase their market share and bring new customer on board.

4.4 What is the value proposition of mobile network operators to consumers?

In the 6-corner model, the intermediate level (the e-wallet space) makes sense only if the e-wallet provider brings additional value to the consumers and merchants. This will also help building a business case for banks outsourcing the e-wallet management to mobile network operators.

The following list is non-exhaustive but gives some examples:

- Manage your e-wallet using all available existing channels. As operators also provide home internet and sometimes television, it would add comfort if consumers can benefit from it and managed its e-wallet using television; merchants can get statements, activity reports and many other information via email
- As e-wallet platforms can host many banks, and as platforms can be interoperable between banks, one can imagine consolidated statements from many banks
- Mobile network operators can couple their mobile payments platforms with business tools allowing financial plans, cash flow monitoring, treasury optimization, ...
- Leverage the monthly bill to ease micro-payments (less than 1€) by removing the complexity of using traditional payment means.
- Allow simple, fast, efficient and secure person to person payments
- Manage and synchronize e-wallet adjacent components such as pre-paid cards, fidelity cards, virtual money...

Some “comfort” services can even bring additional revenues to operators and can make the business case more interesting thanks to cross-selling.

4.5 Why merchants will adopt it?

Merchant adoption is always the key to success for retail payment success. The merchant community only envisage a new solution if it brings them the four following criteria:

- A broad(er) adoption
- As simple as existing payment means
- Cheap(er)
- With added value services

There is also a need to categorize merchants in three different types (online shops, the physical shops and the occasional shops) as it impacts the adoption criteria. Paypal is a relevant example for it, Paypal is leading the payments on online shops, but doesn't exist on physical shops mainly because there is little hardware (POS) adoption and fees are higher than local debit cards. Similarly, it's unusual to pay with a national debit card (eg from a small country) on global e-merchants.

In the context of an e-Wallet operated by a mobile network operator, are these criteria met?

4.5.1 A broad(er) adoption

Excepted water and power companies, telco providers have the largest user community; much larger than banks! A study⁶ claims that there is 1.3 billion bank accounts and more than 5 billion mobile user accounts.

4.5.2 As simple as existing payment means

For online shops, the interoperability with the e-Wallet will be made using a “pay-button” or equivalent. For physical shops, the POS (Point of Sales) hardware might be a barrier to easy adoption.

The POS hardware is a costly element and POS hardware providers need to adopt the technology required to initiate the payment. The US are broadly adopted the NFC (Near-Field Communication) and Verifone, the leading provider of hardware, has announced that the upgrade to NFC-compatible terminals will be charge between 10\$ and 15\$⁷. Other potential is the current interest in QR codes printing/displaying.

Other possibility would be to leverage the existing contract between the mobile network provider and the merchant, and use a “m-POS” running on hardware provided by the operator (e.g. a tablet). Or to give freely m-POS that merchants install on their own tablets or smartphones.

4.5.3 Cheap(er) and secure

That’s a challenge as domestic debit cards are usually rather cheap. The broad adoption of the system would made costs mutualised and would allow operators to propose interesting pricing. In particular, adapted pricing for low value payments would make the system very cost-effective. Mobile network operators have highly secure infrastructures and, as the payment method stays with the customer, increasing security is guaranteed!

4.5.4 With added value services

With online wallets, and with the rapid technology evolution, added services can be provided in real-time. For example paying with a combination of assets (real money with virtual money; including discounts based on fidelity points,...) Another example would be the inclusion of gift cards in the e-wallet for payments or load.

For larger merchants, personalised marketing based on data stored on the e-wallet and the underlying purchase history can be applied. Combined with different push-methods, targeted promotions and offers can be directly sent to the customers that have a profile maximising the sale closing opportunities.

4.6 What additional revenue can mobile network operators get?

In addition of the revenues from the platform operations, and in additional of the increase of customer numbers, it is possible to capitalise on this e-Wallet to innovate, add other key differentiator and increase client stickiness. An example is to propose a service at the crossroad of television and advertising.

⁶ Analysis made by first data

⁷ Digital transactions, June 2011, “Verifone sees a potential Bonanza in mobile wallets tied to NFC”

As one of the consumer benefit, using the television to manage its e-wallet is an obvious innovation; however, television can also be used to shorten the sales cycle of firms advertising on TV channels.

More concretely, the firm that pays for an ad on TV wants to trigger interest of consumer; however, by the time consumer reach a shop, the envy might be gone. A first initiative to shorten this sales cycle was to push telephone numbers hoping the consumer calls and buy.

Digital TV becoming interactive, we can imagine that adverts on TV contain a website address and, with the remote control, the consumer open this web site and makes the purchase. One step further in innovation would be to use a camera on the TV box and capture movements. For example, you like what you see, you raise your hand –it trigger a menu and you navigate using hand motion –the “Kinect Style”

Then from this merchant web site, we can use your credit card to buy the desired goods. Maybe you don't have your wallet with you. That's where the mobile payment platform provided by the telco operator can push the e-Wallet in this interactive program to propose a direct payment. Advertisers would agree paying a small fee on purchases as this solution brings some advantages:

- Make it easier for the customer
- Remove barriers to a fast purchase (easy the compulsive purchase)
- Avoid additional fees due to credit card providers
- Easier to implement than embedding QR codes
- Can include fidelity points⁸ in the wallet
- Can use accrued fidelity points to pay (or partly) the goods

4.7 Success stories

There is already a fantastic success story in the emerging markets, and similar approach in Western Europe will be slightly different. However the m-Pesa example is impressive!



M-Pesa is a mobile-phone based money transfer and microfinancing service for Safaricom and Vodacom, the largest mobile network operators in Kenya and Tanzania. Currently the most developed mobile payment system in the world, M-Pesa allows users with a national ID card or passport to deposit, withdraw, and transfer money easily with a mobile device.

Launched in 2007, M-Pesa has spread quickly, and has become the most successful mobile phone based financial service in the developing world.

⁸ A new white paper on fidelity points and virtual money will be available in January on finatic.mobi

By 2012, a stock of about 17 million M-Pesa accounts had been registered in Kenya. M-Pesa is a “branchless banking service”, meaning that it is designed to enable users to complete basic banking transactions without visiting a bank branch –what makes its continuing success!



Amongst different particularities, the funds are not held by the telco operator! Funds are deposited in several commercial banks, which are prudentially regulated in Kenya, and held by a Trust, making them out of reach from Safaricom. In addition, there is no systemic risk linked to m-Pesa as the sum of amount under deposit represent less than 1% of the assets of the banks.

In the US, there is also an interesting opportunity called **ISIS**, founded by AT&T Mobility, T-Mobile USA and Verizon Wireless. Their vision was to bring mobile commerce to life and the solution initially focus on loyalty programs.

5 Which other actor can play a role?

It is obvious that mobile network operators will be hesitant or reluctant to this new role and may let the banks provide such service. Even if banks are making deals with mobile networks operators to rely on their existing infrastructures.

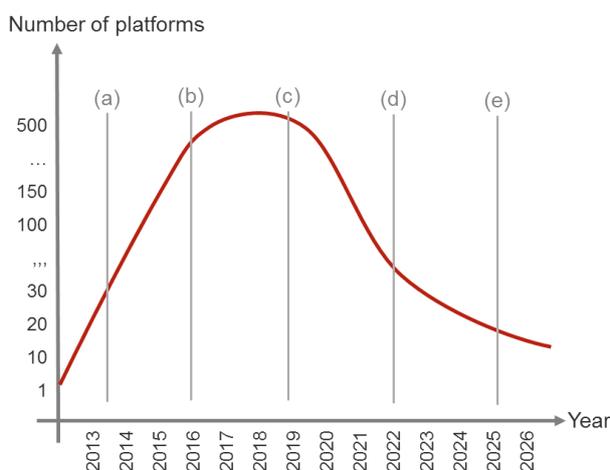
So, what firms can provide such mobile payment platforms? There are already some players positioned on this activity (Paypal, Google,...) but many new entrants have a good reason to analyse such opportunity (non-exhaustive list):

- **Paypal** is the most advanced e-payment vehicle in the world. It expands progressively on banks' businesses and Paypal can be the ultimate winner of the mobile revolution happening.
- **Banks**, extending their activity to the e-wallet management relying on existing infrastructures, are ideally placed to provide such services. However some banks will have to accept a fundamental cultural change to face these challenges. Mobile network operators are the natural allied for banks to reach final customers
- **Credit Cards** and Debit Card providers have already developed solid spider webs between merchants, buyers and their respective banks; at the exception of American express that process themselves transactions (the 3-corner model). Major providers are already launching similar initiatives (Serve, PayPass, v.me,...) but these are more protective initiative as the existing plastic card business is still more lucrative
- There also are some existing **payment infrastructures** centralising payment acquisition on behalf of banks (Atos Worldline/Banksys, SIA/SSB, First Data, iDeal,...). These firms, and other **TSM** (Trusted Service Managers), have already in place a network that links merchants to banks with no (local) interoperability issues. Adding e-wallet to their central hubs would be easy, however, adoption might take time and conflicts with bank strategies are already arising –as these providers are local and banks are global.
- Some **merchants** might have sufficient volume to decide to expand their footprint to mobile payment platform; however, we believe that merchants will focus their strategy more on the advertising evolution using fidelity points (maximizing client data value) and online gaming⁹. Only exception to date would be amazon (*see later*).
- **Cloud** computing providers are also in a position to provide the e-Wallet within their PaaS (Platform as a Service) infrastructure. **Google** has already launched a personal e-wallet and is probably at the forefront of the concept (maximizing chances to success by allying with Citigroup, First Data and Mastercard). Due to some stringent regulation, some local players providing cloud services guaranteeing that data are stored within a certain territory might also become ideal vehicle (Luxembourg, Switzerland).

⁹ A new white paper on fidelity points and virtual money will be available in January on finatic.mobi

- **Amazon** is obviously well positioned, for many reasons: Firstly it would increase the online shop client stickiness, facilitate purchase opportunities, leverage its Cloud infrastructure, position Kindle as a device for mobile payments and drastically increase the value of its customer data!
- Some **POS** (Point of Sales) providers may take this change in consumer behaviour to extend their activities from the basic terminal to the e-Wallet infrastructure; this would make their POS devices more attractive than competition, and increase their revenues. E.g Atos Worldline has its own terminal business for many years, and Ingenico recently acquired Ogone.
- Some (very) large **software providers** could also launch e-Wallets because “the Cloud” will jeopardize their classical licence revenue model. With the software to run it, adding to their offer a mobile device can unlock the mobile payment method at the POS (using NFC for example). Adding an e-Wallet can provide full m-Payment solutions. Microsoft has purchased Nokia mobile, Apple have the iPad and there are many talks around RIM (blackberry).
From the perspective of a merchant ERP provider, only SAP has the strength to provide such service, enabling e-commerce and mobile payments from the ERP directly. This being facilitated by the recent acquisition of Sybase.
- Last but not least, what about **Social Networks** and **online-gaming**?
Recent introduction on stock markets of Facebook, LinkedIn and Twitter has shown an appetite from the market for such companies. One of the key assets of Facebook is its intimacy with online games. This is fundamental as online-gaming industry is using an enormous amount of payments and brass a phenomenal quantity of money. Most games are using virtual money¹⁰ and already use e-Wallets (kind of). Providing interoperability between all virtual money will give gamers and social networks addicts an ideal tool to also manage real money!

A dozen of types of companies can provide the platform and/or the service but today only market dynamics will decide tomorrow’s winners. However what is certain is that such technology will follow a gauss graph as shown hereafter with the following points:



(a) Most actors will start a project, mainly banks are obliged to propose solutions; independent provider will also position themselves in the market

(b) Market will be saturated with mobile payment platforms and new entrants will start relying on existing actors

(c) Some providers will go bankrupt, some will stop their services and the remaining one will need to merge/acquire to reach profitability

(e) Market will be stabilized with a dozen of provider. The infrastructure enabling mobile payments will be a commodity

¹⁰ A new white paper on fidelity points and virtual money will be available in January on finatic.mobi

6 Conclusion

Banks –especially **retail banks**- are at a **turning point**, they have to rethink their business model or they will face unsolvable issues. The reason is simple: the **mobile revolution**, following a tremendous technology change with the arrival of the internet, is changing consumer behaviour. Therefore current distribution model has to be **reinvented!**

The key evolution of the **banking distribution model** is the bank **branch network**. Even if innovative ideas will stop the margin erosion, tomorrow's bank branch will be a **mobile phone!** Banks should leverage **mobile network operators** and ally with new players to ensure growing their business.

The **electronic wallet** will be the **missing link** between the bank and the mobile phone, and will progressively replace the contents of our good old leather wallets. The e-wallet will enable a lot of new payment behaviours such as micropayments or person to person one; and will make traditional **payments** (credit transfers, card payments and direct debits) easier and faster. In addition, e-Wallets will tightly couple fidelity cards, virtual money and many pre-paid cards.

The world is still defining the right standards and market practices for mobile payments and the key challenges will be **interoperability** and **reach!** This can be done using an e-Wallet enabled mobile payment platform that will stand at the crossroads of reach (from bank to individuals) and interoperability (between providers).

At FINATIC we strongly believe in the fact that a **e-wallets** will be the enabler to process **mobile payments** using a **specialised platform** to link **banks, merchants and consumers**. And FINATIC is committed and has launched early 2013 its "**Prelude**" programme that is aiming at providing the Industry with a **future-proof mobile payment platform** solution corresponding to the ideas and beliefs developed in this white paper!

Annex: Terminology & Acronyms

Everybody wants to talk about “mobile” and when it comes to banking and payments, a lot of buzzwords and interchangeably terms are used. For the comprehension of this white paper, and the following documents, this is the FINATIC terminology.

Mobile Banking vs. Mobile Payments

Many people (and even a fair number of bankers) make the mistake of using these two terms that are quite different: **Mobile banking** refers to applications running on a mobile device and accessing the banking core services (all services available thru web sites)

Mobile payments is defined as the process of using a hand-held device (phone, tablet) to pay for a product or service, either remotely or at a point-of-sale.

Wallets and Mobile Payments

For simplicity and ease of understanding we will solely use the term e-Wallets to refer to the concept of electronic wallet, m-wallet, mobile wallet,... The **e-Wallet** is the electronic representation of a traditional wallet, it contains personal information, cash (coins in purses, notes,...), prepaid cards, fidelity cards, ... Mobile wallets being an e-Wallet accessed thru a mobile device.

The platform enabling the mobile payments is either automating confirmation from e-wallets located on mobile devices or operating the e-Wallet used by mobile device users. This concept is the **mobile payment platform** enabling the usage of e-wallets to perform the mobile payments.

MNO: Mobile network operators are telecom companies with the appropriate licences and infrastructure to deliver robust services to mobile device users.

POS : Point of Sale, is the engine used by a merchant to perform the financial transaction. It ensures the payment integrity.

PSP : Payment Service Provider is an institution that perform payment services and regulation by its national authority

SCT; SEPA Credit Transfer is the harmonized payment method ensuring a transfer of money domestically and throughout the whole Europe.

SDD: SEPA Direct Debit is the harmonized payment method initiated by a merchant and ensuring a direct debit of money from the buyer, domestically and throughout the whole Europe.

TSM: Trusted Service Managers are infrastructures or actors working with banks and MNOs to bridge multiple banks and operators to ensure a reliable, interoperable and secure system.

NFC: Near Field Communications is a set of short-range wireless technologies that supports two-way communication of data such as banking information. We see 2 forms of NFC devices: Embedded NFC is a microchip in mobile device hardware, turning mobile devices into contactless payment solutions. And NFC companion device that enable users to add NFC capabilities onto mobile devices that do not contain embedded NFC. These usually take the form of stickers, dongles or fobs.

Proximity Payments are using a device or card containing a circuit chip, payment is made by tapping the device on an enabled POS terminal.

QR code : Quick Response code (matrix barcode or two-dimensional barcode) is a unidirectional and visual way of communicating information between two devices. QR codes can be specifically designed to work with particular payment provider applications to automate eg mobile payments.



About Finatic

FINATIC is a fast-growing Belgian company active at the crossroads of financial business and ICT. Finatic provides high-value services and builds next generation electronic payment solutions

Our ambition is to become a leader in the mobile payment niche, providing to customers advices and technical solutions to meet the challenges triggered by the “mobile revolution”

Our services include interim management, payment strategy, product development, executive coaching,..

FINATIC's “Prelude” programme leads to offer to the Industry solutions enabling financial institutions and their business customers to manage and process mobile payments cost-effectively, securely and reliably

finatic.mobi for more information

