

# Banking Automation **BULLETIN**

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## Is there a future for NFC mobile payments

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Rising account holding drives ATMs and cards in Latin America

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Rapid action required to meet EMV compliance targets

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EPC mobile payments white paper does not address issues

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Challenges ahead for cards and payments industry

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## Country profile: Portugal

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## Will NFC handsets alter the course of contactless mobile payments?

In December 2008, I wrote in this column that *"it seems inconceivable that contactless will not be universal in the future – if not on cards in the short term, then on mobile phones in the longer term"*.

Nearly two years on, the growth of contactless payment cards and contactless transactions has been painfully slow – but was I right to imply that contactless payments may bypass cards and go straight to mobile? I am now less sure.

There are essentially four models for NFC mobile payments:

- 1) Bank-centric
- 2) Bank/mobile network operator (MNO) collaboration
- 3) MNO-centric
- 4) Person-to-person.

MNOs (together with handset manufacturers) could easily facilitate a bank-centric model, for example by providing an extra slot on handsets for a bank contactless chip or allocating memory space to payment applications, but are reluctant to do so because they want a greater piece of the action.

A bank/MNO collaboration would seem like a suitable compromise, but banks are reluctant to share 'their' pie, unless they see MNOs bringing additional value; while MNOs may again want to protect their interests from bank attrition. Furthermore, already complex commercial negotiations become even more complicated once mobile network operators are added to the equation.

With NFC handsets starting to appear, the MNO-centric and P2P models could now come to the fore. Operators are better able to control and drive expansion, which will result in proprietary payments networks in suitable sectors (such as fast food and cinemas), rather than universal national or international schemes.

How quickly this will happen, and whether such developments will spur bank issuers and acquirers/retailers to speed up the rollout of contactless payment cards and terminals, is yet to be seen. What is now clear is that despite the attractiveness of contactless payments, the lack of an overwhelming business case for many stakeholders is holding back expansion.

Dominic Hirsch, Editor

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