

## **FAQ**

### **"Payez Mobile", the European Association for Mobile Payment**

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#### **1. Why an association for mobile payment?**

After working together for almost two years to complete field trials in Caen and Strasbourg, the ten stakeholders (all banks and operators) wanted to establish a clear legal framework for the work remaining to industrialise and market mobile payment in France and in Europe.

The purpose of the Payez Mobile association is to:

- finalise and maintain the hardware and software specifications needed for mobile payment,
- continue ongoing field trials,
- promote the final specifications to all stakeholders, i.e. banking networks (Visa and MasterCard), regulatory authorities, other French and European banks and operators, manufacturers, etc.

#### **2. Who are the members of this association?**

The ten founding members are:

- BNP Paribas
- La Banque Postale
- Banque Fédérale des Banques Populaires
- Bouygues Telecom
- Crédit Agricole SA
- Caisse Nationale des Caisses d'Epargne et de Prévoyance
- Caisse Fédérale du Crédit Mutuel Centre Est Europe
- Orange France
- SFR
- Société Générale

The association is open to French and foreign credit institutions (banks) and telecommunications operators. There are two types of membership:

- senior members contribute to association work and governance and have a seat on the Board of Directors,
- general members benefit from the results of the association's work.

#### **3. How is it organised?**

At the Board meeting on 23 October 2008, the following officers were elected:

- Chairman: Jean-Jacques Antelme (Groupe Caisse d'Epargne),
- Vice-Chairman: Laurent Jullien (Bouygues Telecom),
- Treasurer: Daniel Savoyen (Crédit Agricole).

The association is managed by:

- a Managing Director with responsibility for governance (Steering Committees, Board of Directors, General Meeting), representation, reports, administration, etc. He is also the association spokesman.
- a Project Manager with responsibility for project supervision,
- a team of service providers responsible for drafting specifications and ensuring consistency with contributions made by sector experts,
- about thirty experts from the banking and telecommunications sectors, responsible for making technical and other contributions to association projects.

The association will have about ten expert working groups charged with finalising the specifications (and developing functional, technical and security upgrades), making sure that these specifications match existing security standards, working in close collaboration with the Visa and MasterCard interbank networks, deploying field trials, drawing practical conclusions, etc.

#### **4. Which relations does AEPM maintain with other mobile service associations?**

AEPM has a clearly defined mission: developing interoperable mobile payment specifications which become the industry standard for the largest possible number of French and European organisations.

The Forum des Services Mobiles sans Contact (Contactless Mobile Services Forum) set up at the initiative of Luc Châtel, the French Secretary of State in charge of Industry and Consumer Affairs, aims to "stimulate cooperation and synergies in order to speed up deployment of applications designed to transform mobile technology into a genuine package of daily services". This Forum therefore addresses a broader sphere than mobile payment, particularly including the introduction of new services.

Association Française du Sans Contact Mobile (AFSCM - French Association for Contactless Mobile Services), created by the three French mobile networks, is responsible for the technical development of contactless mobile services in order to provide all stakeholders with standard application rules.

The Competitive Cluster for Secure Electronic Transactions (TES cluster) brings together the skills needed to optimise transaction security as part of an ambitious development programme.

AEPM naturally maintains close relations with all these associations, each of which serves particular but complementary objectives. In fact, most AEPM members are also members of these associations.

#### **5. How does AEPM differ from foreign initiatives?**

France is the only country where major banks and mobile operators are engaged in a shared effort to develop common specifications and to facilitate their adoption by customers and retail businesses.

Many experiments are underway in other countries but these are generally partnerships between only one bank and one operator. Customers who change bank or operator, are obliged to abandon their mobile payment service if not deployed.

Many foreign banks and regulators are keeping a close eye on AEPM's initiatives and are reportedly ready to join the association.

#### **6. What is mobile payment?**

Mobile payment is a new electronic payment method made possible by a SIM card application. This method is compatible with all payment channels for existing credit cards.

Mobile telephones are equipped with an NFC (Near Field Communication) contactless chip for wireless connection with matching retail payment terminals.

This new payment method complements existing payment instruments. It will spark new services geared to new consumer habits.

### **7. What is the interest for the consumer?**

Almost everybody carries around a mobile telephone, which has become an extremely user-friendly personal tool. Its intelligence, keypad and screen permit many different applications, making it extremely easy for users to approve payments, whether protected by a personal code or unprotected (in the case of small amounts). Mobile payments are recorded in the telephone itself and can be tracked on screen.

In the future, mobile telephones will be able to hold several payment tools, such as bank and proprietary cards, brand loyalty cards, etc. A simple and easy dialogue with keypad and screen will allow users to select the most appropriate payment instrument for each retailer.

The connection between the telephone and the operator's network permits almost immediate remote deactivation of the payment application in the case of loss or theft. Users will also be able to view their balance remotely, download new applications, etc. Last but not least, users will find it very easy to preserve all payment functions when buying a new telephone since they will only have to stick the SIM card in the new mobile.

### **8. What is the interest for retailers?**

Payments of small sums without code will take less than a second once the purchase price is displayed on the electronic payment terminal. This speed will reduce queuing times and loss of time for customers. Retailers will no longer be obliged to manage cash and will be able to install fully automated check-out counters.

As this is an attractive customer service, retailers can expect it to boost sales.

### **9. Will it be possible to use this payment instrument in other countries?**

It will be possible to pay in all countries at all retailers who accept transactions with MasterCard's Paypass and Visa's PayWave system.

The specifications developed by AEPM in close collaboration with Visa and MasterCard are intended to culminate in an international standard. To achieve this, AEPM is working in close cooperation with the GSM Association on the Pay-Buy Mobile project.

### **10. How much will this service cost for the user?**

Each bank and each operator will be free to set its own rates. The cost of developing the specifications is shared among AEPM members. However, the association does not deal with other financial aspects of deploying and marketing mobile payment services.

Customers are not charged for the cost of the ongoing field trials.

### **11. When will mobile payment become generally available?**

The specifications will be ready in early 2009, after which manufacturers will be able to finalise the hardware needed for commercial deployment in 2010.

Mobile payment will become broadly available once the range of contactless terminals is sufficiently large to satisfy consumer expectations.

## **12. What are the results of the field trials in Caen and Strasbourg?**

Most customers consider mobile payment a highly satisfactory and attractive solution. More than 90% are satisfied and ready to recommend this service to friends and family.

60% plan to subscribe this service once it becomes available.

Customers are attracted by the speed, ease and safety of this payment method.

This breakthrough is considered a natural step forward for credit cards and mobile telephones.

Mobile payments can be used for any amount: During the trials, most purchases have been for less than €5 (36%) and €20 (72%), respectively. The highest amount was €264. The average amount ranged from €15 to €20.

The trials show that people of all ages make mobile payments. People of over 50 years of age use mobile telephones just as much for payments as young people from 18 to 25. There is no gender gap. Mobile payment is used by men and women in equal proportions.

In other words, customer test panels are highly satisfied. This is reflected in such comments as: "It's always there when you need it," "It's just as reliable as a credit card," "It's intuitive, you get used to it straight away." Customers are nevertheless looking forward to a wider range of mobile services, more contactless applications and a larger network of retailers with contactless terminals.

82% of the retailers are satisfied. They appreciate the speed and cutting-edge image of contactless mobile payment. More than 70% has expressed a willingness to get a contactless payment terminal once it becomes available. Mobile payment is most popular with bakers, stationery shops, tobacconists, supermarkets and fast-food restaurants.

## **13. Why are further trials needed?**

The association needs to test recently developed functionalities, such as a new version of the SIM card, prepaid services, download functions for payment applications, interoperability, etc.

Recent member Groupe Banque Populaire wants to contribute to the trials, which will enlarge the network of participating retailers.

Lastly, several major chain brands want to test contactless payment terminals at their check-out counters and for their electronic payment systems.

## **14. How did you select your panel of test users?**

Each bank proposed a selection of customers in either of two cities based on such criteria as age, credit card use, etc. The testers chosen by each bank were the first customers to express willingness to participate in the study.

## **15. How many customers and retailers are equipped for mobile payment?**

At this time, about 1,000 customers and 500 retailers in Caen and Strasbourg are equipped.

**16. What is the payment procedure?**

For amounts below €20, customers hold their mobile telephone near the contactless reader to complete their transaction.

For amounts above €20, buyers must punch in a confidential code on the keypad of their mobile phone.

Each bank will determine its own payment ceiling. The maximum amount for the trials is €300.

**17. How are transactions debited from the customer's bank account?**

The same way as for normal credit cards. The security mechanisms are the same. Bank statements show mobile payments under traditional credit card payments.

Users must report loss or theft of their mobile phone to their operator and their bank to block their line and their card, respectively. Both the mobile banking application and the telephone are blocked remotely.

**18. How does the contactless technology (NFC) work?**

NFC (Near Field Communication) technology refers to wireless short distance communications designed for intuitive, simple and secure interchanges between electronic appliances placed a few inches apart. This technology is used for payment, electronic validation of tickets, data transfer (particularly photographs and electronic visiting cards) and access to online digital content thanks to a shared network connection. NFC-equipped appliances are faster and easier to use than other appliances and guarantee maximum security.

A contactless chip transmits data to a reader with a built-in antenna. The reader converts the radio waves received from the mobile antenna into digital information, which is processed by the device in question (acquisition terminal, electronic payment terminal, etc.). The two appliances must be positioned less than 4 centimetres (about 1.5 inch) apart.