

Recently in the mobile payment space: action from Isis and a lot of thoughtful input

Electronically paying for a soft drink at a movie theater&mdashas well as the movie ticket itself&mdashsoon will be an established reality, at least in Salt Lake City and Austin.

That may not sound so wild but it really is. It’s the first ripple of a mobile payments tsunami that will potentially engulf the 5 billion smart phone owners in the world who already expect all sorts of technological capabilities from their hand-held gadgets.

Isis is a joint venture of AT&T Mobility, T-Mobile USA, and Verizon Wireless, and partnered by Chase, Capital One, and Barclaycard, as well as Visa, MasterCard, Discover, and American Express. It’s beta testing a consumer mobile commerce system in the two cities this summer, where hundreds of merchants already are set up to accept contactless payments.

“[This] signals the mobile commerce experience has arrived. A strong merchant base in Austin and Salt Lake City will make the Isis Mobile Wallet real for consumers as they choose to use their mobile wallet at many of their favorite merchant locations to pay and redeem offers,” says Jim Stapleton, chief sales officer, Isis. “We look forward to working closely with both local and national merchants to enable a mobile commerce experience that transforms how consumers shop and interact with their favorite brands.”

He’s talking about nationally known companies such as Macy’s, Coca-Cola, Foot Locker, and more, not to mention Downtown Burgers, DoubleDave’s Pizzaworks, the Larry H. Miller Megaplex, and Twin Liquors, to name just a few such brands and chains.

Which raises the question&mdashwhere does the banking industry fit into all this? Up till now, the industry pretty much controlled how payments are made, at least if you include the Federal Reserve in the industry mix.

It’s the question that ABA asked itself in March when it established the Payment Systems Task Force, an assembly of eight bankers and the executive vice-president of the Montana Bankers Association. Its chairman, Jeff Plagge, president of Northwest Financial Corp., Arnolds Park, Iowa, says, “With many emerging digital and mobile payment solutions, it is important to ensure competitive access and participation for banks of all sizes and charters. The Payment Systems Task Force will work to ensure consumers benefit from the safety and security provided by bank-operated payment solutions.”

Key to the task force’s objective, according to an ABA spokesman, is the fact that banks. “being regulated and trusted by consumers for data privacy, dispute resolution, and security, should continue to play a vital role in the payments market.”

The task force has an ongoing mission of making sure new payment technologies promote competitive access for, and participation by, banks of all sizes and charters.

That could be a daunting task, not least because of the light-speed pace of change. As Steve Kenneally, vice-president of the ABA Center for Regulatory Compliance says, “You could have a full-time job simply reading articles on mobile payment and mobile wallets.”

That's certainly true. Just within the past few weeks or so, interested parties from around the world have weighed in on the issue.

The Canadian Bankers Association, which represents 53 domestic banks and foreign bank subsidiaries and branches, just issued voluntary guidelines for the development of mobile payments at point-of-sale in that country. These include procedures around how information is exchanged among various parties to a transaction including financial institutions, payment card companies, telecommunications companies, and merchants.

In general, the guidelines are meant to support innovation in the marketplace, provide clarity and efficiency, and deliver continued security.

"While voluntary, the financial institutions that developed the guidelines are committed to these principles in the mobile market, and these guidelines are intended to create a path to help all market participants move forward in developing mobile payment solutions," the CBA says.

Meanwhile, in the United Kingdom, the Payments Council announced it is building a central database that will allow customers to link their mobile phone number to their account details, regardless of who they bank with. The database will enable registered customers to make or receive almost-instantaneous payments from their existing account, using just a mobile phone number. The council promises the system will be safe, secure, and simple to use. (The Payments Council is a voluntary organization including many banks that sets the strategy for U.K. payments. It was set up by the payments industry in 2007 to ensure that U.K. payment systems and services meet the need of payment service providers, users, and the wider economy.)

"There's clearly a great demand for mobile payments and our work will ensure that banks of all shapes and sizes can offer their own competitive service to their customers. Whether you want to pay a friend or your window cleaner, we are laying the foundation to enable mobile payments to become a mainstream option," says Adrian Kamellard, chief executive of the Payments Council.

There's more. SWIFT, the global provider of financial messaging services weighed in with a recent white paper on the subject.

Its main point: "SWIFT stresses the importance of mobile payments for the financial industry and recommends that banks could make a bolder move in the mobile money transfers business—working together to deploy a global mobile payments service for international money transfers and remittances."

It outlines three areas of strategic opportunity for banks:

1. Actively invest and expand mobile banking, in particular for corporate customers.

2. Partner with ecommerce companies to gain experience in mobile commerce.

3. Develop a global service for mobile money transfers.

In particular, SWIFT says, banks should collaborate to develop a global service for international money transfers in order to increase their market share and help address competition from nonbanks.

“Banks have the power to shape the future of mobile payments. Collaboration with room for differentiation is key. All it takes is for a few leading banks to take initiative,” says Wim Raymaekers, head of banking market at SWIFT.

Sources for this article include:

[ABA announces payments system task force](#)

[Isis Mobile Wallet Will Be Accepted at Hundreds of Merchant Locations Across Austin and Salt Lake City](#)

[Financial industry announces guidelines for mobile payments in Canada](#)

[Payments Council project will enable mobile payments from any account](#)

[Mobile Payments: Three winning strategies for banks](#)

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