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SPEAKERS



David Urbano, director of mobile, La Caixa



Tom Gregory, head of digital payments, Barclaycard



Ashley Machin, director of digital banking, Lloyds Banking Group



Colin Jowers, global COO, RBS Global Banking and Markets, Research & Strategy



Tim Decker, senior product manager and European head of e-channels, payments and cash management, HSBC



Justine Haworth, head of strategy and design, digital solutions, at HSBC First Direct



Jiten Arora, a managing director of Transaction Banking, Standard Chartered Bank



Alex Kwiatkowski, research manager, EMEA banking, IDC Financial Insights



Kieran Hines, cards and payments practice leader, Datamonitor Financial Services

CHAIRMAN



Neil Ainger, deputy editor at the organisers, *Banking Technology*



The rapidly evolving world of mobile financial services was examined in detail by speakers from RBS, HSBC, Lloyds Banking Group, First Direct, La Caixa, Barclaycard and Standard Chartered Bank, among many others, at the inaugural *Mobile Technology in Financial Services Summit*, organised by *Banking Technology* on 22 June at Haberdashers' Hall in the City of London. **David Adams** reports

It is a simple but true fact that there are now vastly more mobile phones in the world than there are plastic cards. With in excess of 5 billion mobile phone users now in existence, the potential for financial services companies to exploit this new medium to offer value-added banking, payment or remittance services or to reach the so-called unbanked is immense.

The *Mobile Technology in FS Summit* covered the different strands of mobile FS, looking at mobile alerts, banking, remote P2P payments, corporate banking, trade finance and Mobile Contactless Payments among many other issues – examining the opportunities that exist for banks in this rapidly growing area by highlighting case studies, the available technology solutions, with presentations from Sybase and Backbase outlining these options, and looking at the challenges ahead from new comers and possible limiting factors, such as the need for security and standards.

Almost 200 high quality delegates turned up for the Summit, including Graham Blythe, IT development manager at ING Direct, Anita Hockin, head of mobile at Lloyds Banking Group, Riccardo Cesarei, in charge of global online and mobile banking at UniCredit, and Neil Morrow, a senior architect with Co-op Financial Services (for a full delegate list of the attendees and to **see all the presentations visit www.bankingtech.com/mobilesummit**).

They were treated to speeches from David Urbano, the head of mobile at La Caixa who flew over to talk about the Spanish bank's various mobile banking offerings in this channel and to outline the latest feedback from the groundbreaking MCP scheme in Sitges, Spain, which has since been extended to the Balearic Islands. Tom Gregory, head of digital payments at Barclaycard talked about their similar Quick Tap scheme just launched in the UK with MasterCard and Orange Everything Everywhere as partners, while Jiten Arora of Standard Chartered Bank flew over from

Singapore to talk about the use of mobiles for trade authorisation and so forth.

The audience also got a first-hand account from Justine Haworth, the head of strategy & design, digital solutions at HSBC, including First Direct, of exactly how tricky the process of getting Apple to approve distribution of a new mobile banking iPhone app can be as she discussed the rollout of First Direct's transactional 'banking on the move' app this year. The unit's plans to roll it out to Google's Android OS and other platforms were also discussed, and indeed HSBC's wider plans for the channel.

Other contributions from supporting organisations, Datamonitor, the European Payments Council and the important Mobey Forum trade body, which consists of banks such as HSBC, Deutsche Bank and Garanti; mobile handset manufacturers like Nokia; and software firms such as Sybase365, looked at the need for more cross-industry and cross-border collaboration in the development of technology standards for remote and mobile payments.

Presentations

In the first presentation of the day, **Alex Kwiatkowski**, research manager, EMEA banking, at **IDC Financial Insights**, reviewed the development of mobile financial services to date and provided an overview of the opportunity that exists for financial institutions. "We've seen a decade of disappointment in many respects," he candidly admitted, "but now the signs are that we are finally seeing mobile come of age. It's not a technological challenge to overcome anymore; it's a lack of understanding or awareness among consumers. And business models remain a fundamental challenge."

David Urbano, director of mobile at **La Caixa**, talked the audience through the success of the Spanish bank's activities in the mobile channel. La Caixa has acquired a reputation for innovation in the mobile channel, he said, with two million personal and professional corporate customers

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already using its SMS alert services and 750,000 users of its mobile banking portal, which has seen more than 1.5 million downloads of 45 apps developed for the bank's customers.

The separate groundbreaking six-month long Mobile Contactless Payment pilot scheme began in Sitges, Spain, in May of last year, with Visa and Telefonica as project partners, was also discussed. It involved 1,500 customers and 500 retailers, representing nearly all of the shops in the town. Customers could purchase goods worth €20 or less simply by taping a Samsung NFC-enabled phone against a Visa payWave reader. Transactions above €20 required a PIN. By the end of the trial, 90% of customers had used the technology and more than 80% of participating retailers had processed mobile transactions, at an average spend of €31. Six out of ten transactions were for amounts under €20, with 35% under €6. Better still, the scheme led to a 30% increase in Visa transactions and a 23% rise in billing from participating consumers, showing that the scheme had driven demand up.

"So we know consumers are happy to use mobiles for high and low value transactions and perhaps mobiles could be a substitute for cash transactions in the future," said Urbano. "Almost all customers say the new service is very quick and easy to use. They think it's more secure than a credit card, because you don't have to give the card to the merchant; and you realise straight away

if you lose your mobile, but not necessarily if you lose your card." The scheme has since been extended indefinitely in Sitges and has now been launched as a full commercial roll-out, not just a trial, to 150,000 customers and 5,000 retailers in the Balearic Islands in Spain.

Next came a joint presentation from **Diarmuid Mallon**, senior product marketing manager for mCommerce at **Sybase365** and **Tim Roberts**, technical services manager of the cross industry group at **Sybase**. Mallon talked through the advantages of using a unified technology platform to run mobile financial services. Roberts focused on the work corporates need to do to manage the use of mobile technologies within the enterprise, particularly the challenges created by staff using their own mobile devices at work.

After the delegates had enjoyed a coffee break and a little light networking, **Jelmer de Jong**, European marketing manager at portal software provider **Backbase** presented on his company's concept of Bank 2.0 – wherein financial services companies seek to offer customers the same kind of seamless digital experience they enjoy when interacting with giants of the digital world like Apple, Google and Amazon. He emphasised the rise of new competitors in financial services aiming to win market share from more established players by doing exactly this, such as BankSimple, which has designed a proposition around internet and mobile channels.

Backbase's idea is that a combination of widgets – which can be integrated and reused across multiple service channels – and HTML5 will turn this seamless vision into reality, coping with the ever more varied mix of mobile devices, operating systems and browsers with which customers will want to access mobile banking.

Jiten Arora, a managing director in the Transaction Banking Division at **Standard Chartered Bank**, began his presentation on the benefits of mobiles for corporate banking and trade finance by reminding us again of the potential for growth in this area within developing markets, pointing out that there are 400 million internet users worldwide, but more than five billion mobile subscribers; while in Africa for every internet connection there are 20 mobile connections. He spoke about the way that in countries like Kenya, where M-Pesa has had such an impact and where traditionally there has only been a fairly limited electronic payments infrastructure, the use of mobile payments is now increasing rapidly. The mobile channel can help to reach individuals and businesses that are currently unbanked, particularly in emerging markets, aid remittances, and can do so much to improve financial inclusion for small businesses by facilitating microfinance.

Arora then turned to Standard Chartered Bank's own work on corporate mobile banking, including its Straight2Bank Authorisation service. Such 'on the move' services increase the ability of treasurers to make decisions from a greater number of locations, without the need to carry a laptop and find an internet connection, while also vastly increasing the speed of the trade authorisation processes – "from 24 hours to 24 seconds", as he put it. There could also be efficiency gains for corporate treasury operations via the use of mobile invoicing and mobilisation of other processes.

Panel discussion

The last session of the morning was a stimulating panel discussion, addressing the question '*Is the mobile channel the biggest development since the web?*' Chaired by **Neil Ainger**, deputy editor at the organisers of the Summit, **Banking Technology**, the panel comprised of **Tim Decker**, senior product manager and

SPEAKERS (continued)



Dr Marijke De Soete, senior advisor, European Payments Council, m-channel working group



Sirpa Nordlund, executive director, Moby Forum



David Baker, head of the card technology unit, UK Cards Association



Diarmuid Mallon, product marketing manager, Sybase 365 (Gold sponsor)



Tim Roberts, technical services manager, Sybase UK (Gold sponsor)



Jelmer de Jong, European head of marketing, Backbase (Gold sponsor)

European head of e-channels, payments and cash management, **HSBC**; **Colin Jowers**, global COO, **RBS GBM Research and Strategy**; **Ashley Machin**, director of digital banking at **Lloyds Banking Group**; and **Kieran Hines**, cards and payments practice leader at **Datamonitor Financial Services**. All strands of the FS industry were therefore covered, respectively from corporate banking, investment banking, retail banking and cards and payments, with each discussing how the mobile channel has impacted their sector and what it means for the future.

Asked if we were approaching the tipping point for mobile, Machin said: "I think in the next five years mobile will be transformational in payments and the way that people live their lives."

Decker was not so sure. "We're still on the journey," he said. "I think we will get to a point where the desktop is no longer important. Web will be ubiquitous and I'm not just talking about mobile devices, but about web-enabled TVs and so on. But I don't think it's made that much difference to the individual or the business just yet."

The first question from the floor came from David Lewis, chief executive at PMI Consult, who asked whether the development of mobile financial services could threaten the industry with disintermediation.

"The need for standards means banks and payment schemes will have to be involved," said Hines. "The history of mobile payments is littered with examples of banks or mobile operators trying to create proprietary systems and failing. Ultimately, banks and existing payment schemes will dominate."

Machin wasn't quite so sure, but also wasn't happy that this was the right way to consider the question. "To me, the Faster Payments Service in the UK is an example of where sufficient shared standards in the industry encourage overall economic growth," he said. "I'm not worried about disintermediation, because [it's] a process by which you create better propositions. Don't focus on who gets the biggest slice of the pie now, rather than creating a bigger pie for the good of the economy."

The panel next turned their attention to the remaining barriers to the wider adoption of mobile FS services by customers. Hines raised the issue of security, noting that while most people have anti-virus software on their laptops very few also have it on their mobile devices. He also considered the factors that may hinder adoption of contactless payments. "There is a huge opportunity here, but it requires a massive infrastructure shift. Ultimately, this is all about consumer convenience. The portability and immediacy of the mobile is probably the biggest value-add [if you can get it on to the High Street]."

Decker felt security was still the biggest concern for his corporate banking customers, but expressed his belief that this problem is now being pushed back. For Jowers, the key security questions should be around the physical management of the mobile devices themselves. "The technology will be there; it's more about human challenges," he said. "Let's say someone's had a good lunch and gets careless: do you want someone else to be able to see the numbers around a £10 million trade on their smartphone or tablet?"

The panel were asked by the audience to consider another fundamental question, the problems connected to network coverage and the expense of connectivity for mobile users travelling abroad. "This will be demand-driven," Machin replied. "It's definitely constraining the way in which consumers use their mobile devices. But in the UK I don't see it being a big barrier."

Ainger asked the panel how close we might now be to seeing the majority of banking interactions on mobile devices, referencing the title of the mid-day debate. "The mobile

banking services we offer are not going to be tied to a desktop or a particular device," replied Decker. "Corporates don't want staff to have to go into a browser. They want to build this into ERP. The biggest growth we're going to see is host-to-host transmission between the bank and their own systems. I think we will see SAP deploying some of their services onto these devices. Banking information, about a trade or remittance, will be automatically incorporated."

"I expect to see quite a lot of retail banking internet activity migrate to mobile," said Machin. "I would stick my neck on the block and say we will be a lot closer to all [digital] interactions [between bank and customer] being mobile by 2015 than most people would have thought. It will certainly be much bigger by 2015 than people give it credit for today."

Afternoon speakers

After lunch, **Justine Haworth**, head of strategy and design for digital solutions at **HSBC and First Direct**, gave an entertaining first-hand account of the trials and tribulations of launching the latter bank's iPhone app, which went live in January. First Direct started with the iPhone because it was already the mobile device being used most frequently to access its website, plus customers had indicated a strong demand for a mobile service on this platform that would go beyond the basic provision of statement and recent transaction information to offer a payment function and so forth.

The project began with technical and design workshops in March 2010 and was complete, pending certification and licensing from Apple, by December, when a staff pilot began. By far the biggest problem and cause of delay was a legal row over the Apple Developer's Licence. "What Apple were saying was, if you do something which causes a problem within Apple then HSBC's liability is unlimited," Haworth explained. "If it was the other way round however Apple's liability to us was \$30. You can imagine the legal discussions. We had to secure top of bank approval to sign those contracts. In the end we did – which is a leap of faith, but you have to acknowledge that Apple would put in place all of the safeguards to protect Apple and its clients." You also, perhaps, have to acknowledge the extent to which Apple calls the shots in its own domain...

There then followed a slightly farcical delay. Chasing up Apple in mid-January this year to see how the certification process was progressing, several weeks in, Haworth was told that an administrative error meant the process had not yet started at the Apple end. "They said they'd fast-track it," she recalled. "The expectation was that it would



manages the PayPass transaction acceptance infrastructure.

Gregory outlined the next steps he believes are necessary for this type of service to achieve critical mass. The first, unsurprisingly, is a greater degree of cooperation between and beyond the financial sector. The second was the need for consumer education, to spread awareness and dispel any residual nerves over security – Gregory drew a parallel with the adoption of online shopping over the past 15 years. He did acknowledge that there was still some way to go on the issue of standards and interoperability with a broader range of mobile devices also required; and mentioned the problem of high staff turnover within shops making it harder to ensure all personnel are adequately trained in the use of contactless payment equipment.

Finally, we heard from **David Baker**, head of the card technology unit at the **UK Cards Association**, who also spoke of the mutual benefits that could be accrued through cooperation. He reviewed the various technical options available for the Secure Element in MCP, covering NFC primarily but also touching on bridging technologies such as microSD cards and mobile stickers. He reiterated that the technology is not, however, as important as consumer and retailer acceptance, relating the tale of visitors to his organisation's own offices struggling to use card contactless payments in the Prêt à Manger next door. "If you ask to pay by contactless it means the staff either ask for help using it, or say it's not working," he said. An obvious case for further education.

Baker also listed a series of social, business and technology trends that all seem to be pushing mobile payments of all kinds closer to the mainstream. "I'd bet that the next iPhone does have some kind of NFC functionality," he said. "In a few years' time, when the next generation of PoS terminals have become more common, when your sole trader is using his phone to accept payments, we can really make a dent in cash. In the end, every single one of those mobile phones can be an acceptance device and a mobile device. Mobile payments has a bright future."

As indeed, surely, does mobile banking and mobile FS generally if La Caixa, Lloyds Banking, HSBC and many of the other speakers at the Summit are to be believed. Few delegates can have left the event without holding the view that when it comes to mobile becoming a primary service channel in financial services of all kinds, it's surely no longer a question of whether or not it will happen, but when. The discussion continued over drinks. **BT**

"Convenience is the thing that consumers want. And everybody has a mobile phone."

David Baker, UKCA

take a week." But less than 24 hours later certification was granted and the bank was ready to launch on 13 January. The First Direct customer base was already building a buzz around it via social media and in the end drove adoption very quickly. "It was fantastic," said Haworth. "The app entered the iTunes chart at number 58, and was at number one by the end of day one. We had planned a soft launch but it took on a life of its own."

iPhone now accounts for about 15% of First Direct's internet business. "In this quarter 6% of new customers say the iPhone app is the reason they joined us," said Haworth. The bank is now working on an app for the wider HSBC group and on optimising the service for use with other devices. "At the end of this year we are hoping that, as a minimum, we are offering iPhone and some Android OS devices for HSBC and First Direct," said Haworth. "Next year we will move on to M&S Money, which is another part of our stable. We're also undertaking research to understand what our future MCP proposition will look like, and are looking at other value-add services."

Sirpa Nordlund, executive director of the **Mobey Forum**, offered her organisation's perspective on the current and emerging situation in mobile and contactless payments. She predicts that 2012 will be the year of Near Field Communication, with RIM, Nokia, Samsung and LG all now committed to NFC technology in their handsets; Google

Wallet going live in the US this year and coming to Europe in 2012, inside all Android phones; and telcos forming consortia to promote contactless services.

Nordlund acknowledged though that the payment function alone is not an adequate driver for a business model. "You need to reinforce brand awareness by offering more complex services," she said. "The more value the service brings to the customer the more it is used. So payments will need to be combined with geolocation or e-commerce coupons, for example."

After coffee, **Dr Marijke De Soete**, senior advisor to the **European Payments Council** mobile channel working group, told delegates about the work that the EPC has been doing with the GSM Association and others developing standards and security for interoperable MCP, with the latest draft guidelines just released this May. The aim is to facilitate the development of commercial relationships between the mobile operators, banks/issuers and others in the value chain, such as Trusted Service Managers. An overview of the EPC's work on developing remote mobile P2P payment standards that are SEPA-compliant and interoperable, while still allowing competition, was also provided.

Next up was **Tom Gregory**, head of digital payments at **Barclaycard**, to speak about Quick Tap, the UK's first commercial roll out of NFC technology. Quick Tap allows Orange/Everything Everywhere and Barclays/Barclaycard customers to pay for any transaction up to the value of £15 by waving a Samsung Tocco Lite phone over a contactless terminal. Other mobile handsets will join the newly launched scheme shortly and the MCP stored value app, which can be pre-loaded with up to £100, can also tell customers their account balance. It can be used in 50,000 UK shops including nationwide chains such as Eat, Little Chef, Wilkinson and McDonalds. MasterCard