Position Paper

BITKOM Position Paper towards the
"Recommendations for the security of mobile payments"
31th January 2014
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The German Association for Information Technology, Telecommunications and New Media (BITKOM) represents more than 2,100 companies in Germany. Its 1,300 direct members generate an annual turnover of more than 140 billion Euros and employ 700,000 people. They include more than 900 small and medium-sized enterprises, over 100 start-ups as well as nearly all global players. BITKOM represents providers of software and IT, telecommunications and Internet services, manufacturers of hardware and consumer electronics, as well as digital media and Internet economy businesses.

BITKOM statement on the recommendations for the security of mobile payments of the European Central Bank

On 15 November 2013 the Governing Council of the European Central Bank (ECB) decided to launch a public consultation on the "recommendations for the security of mobile payments".

In the following statement BITKOM would like to deal with the general issues that we have with the current version of the draft and comment on that.

BITKOM believes that the regulatory framework in the European Union provides an adequate environment for business and innovation in the area of secure e- and m-payment methods. EU legislation on those methods, among others, is the most advanced globally, and serves as examples for many countries around the world that want to achieve similar market integration, innovation and prosperity. This holds also for the European payments market.

BITKOM strongly supports the initiative to foster a single European market for retail payments and protection of consumer interests. We are certain that the prospect of economic reward is the key driver for innovation. More regulation will not lead automatically to more customer protection.

The pace of development in payments innovation has increased significantly with the development and increasing prevalence of the internet and more recently multi-functional smart phones. The evolution is still ongoing and any final scenario cannot be predicted. Regulatory neutrality must be respected as regards the various types of payment systems and methods. BITKOM therefore insists that any regulatory interference deemed necessary must not disrespect regulatory neutrality.

In order to release the economic and competitive potential of mobile payments and mobile commerce the regulatory framework must accommodate this rapidly changing market, providing the right levels of security without stifling innovation. This is an evident challenge and can only inadequately be addressed by periodic regulatory reviews, such as foreseen in the recommendations.

Currently the expression "mobile payment" is used in many different contexts, making it not easy to find one definition for all scopes. We therefore recommend

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to clearly differentiating between the many use cases in the overall ecosystem. In the actual draft there are at least three different categories that are not clearly distinguishable, confusing and overlapping. We suggest differentiating only between remote and proximity payments.

As the terms digital and mobile wallets are not clearly defined, we are suggesting as well, using one definition for digital/ mobile wallet. Different actors in the market have different understanding about these terms. The simple mobile wallet is merely a container for different payment instruments and consists of an app for a smartphone and a platform, i.e. it is a pure technical support. Consequently, it is difficult for providers of mobile wallets to fulfill some of the recommendations as they do not have access to the specific transaction data. Thus, mobile wallets should be excluded explicitly.

The measures (e.g. strong customer authentication) outlined in the recommendations risk to limit market development by creating friction for payment users, who expect not only a high degree of security but also of convenience from mobile technologies. The recommendations therefore should stipulate a risk-based approach and allow for alternative security checks, such as background versus upfront checks.

Uniform authentication measures can in fact be counterproductive to reaching the security objectives. Mobile payment providers should therefore be able to conduct their own risk assessment and decide on the commensurate authentication method for a transaction.

Overall the recommendations are based on an assumption that payments initiated via a mobile device create specific security risks, and more so than online payments (hence also the separation of the two sets of recommendations). For e-wallet providers this may lead to unfeasible consequences, creating in effect the need to duplicate security standards and apply them according to the technology deployed to provide their payment services.

Suggestion of BITKOM to this proposed directive:
BITKOM believes that ECB should confirm the risk-based approach in order to enable supervisors and innovative business to deliver the security objectives as well as the economic benefits.
We recommend that there should be only a distinction between remote and proximity mobile payments and a clear exclusion of digital/ mobile wallet as pure technical support of payment instruments.
Beyond that we suggest to reconcile the strong authentication requirements with alternative measures so as to set a security benchmark without unduly limiting market development. The security policy for mobile and internet payments should be aligned. The overall approach must mirror a very practical one.