payments**nz**

Mobile Device Rules & Standards

New Rules Effective 14 May 2014

Payments NZ Framework

Payments NZ was established in 2010 to manage the domestic payment rules, and promote interoperable, innovative, safe, open and efficient payment systems. We don't deliver any systems or products ourselves, but simply set the rules of the game for the industry to play by.

Payments NZ Structure

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- ✓ The **new mobile device standards are the latest addition to the Consumer Electronic Clearing System (CECS) Rules & Standards**, which covers EFTPOS, ATM, card, switching, and terminal standards.
- ✓ CECS is governed by a **Management Committee made up of representatives from each Participant**, who are legally obligated to act in the best interests of Payments NZ. The current CECS Participants are ASB, ANZ, BNZ, Citi, HSBC, Kiwibank, TSB, and Westpac.
- ✓ The Management Committee also contains **observers from the Reserve Bank of New Zealand (RBNZ) and domestic switching providers**.
- ✓ Payments NZ is currently working on a Membership initiative, which **is aiming to introduce new membership options for the wider payments industry**.

Compliance Requirements

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- ✓ **All CECS Participants are legally bound to comply with the CECS Rules & Standards**.
- ✓ They are also required to ensure that any of their third-party providers also comply with the CECS Rules & Standards.

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New Rules for Mobile Payments

4 Types of Mobile Payments →

1. **Proximity Person-to-Business Payments;** the customer and merchant must be in the same location, such as Near Field Communication (NFC) technology. *Payments NZ's rules cover this type only.*

2. **Remote Person-to-Business Payments;** the customer and merchant don't need to be in the same location which is basically internet shopping initiated from your mobile phone instead of your computer.

3. **Proximity Person-to-Person Payments;** both individuals must be in the same location, such as 'bump' payments.

4. **Remote Person-to-Person Payments;** both individuals don't need to be in the same location, such as payments initiated from your mobile banking application to another bank account number.

Scope of the Rules →

✓ The new rules are **limited to NFC payments,** covered in #1 above, as it was considered the only technology mature enough for the introduction of standards.

✓ **NFC payments use existing infrastructure with existing rules**, so the scope was limited to the 'payment instrument', which in this case is the mobile phone:
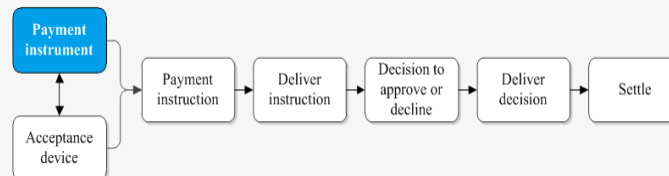
✓ The rules **apply to debit, credit and prepaid cards** issued by CECS Participants, as they all reside on the same device and interact with the same terminal.

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Key Objectives of the Rules

The key objectives of the new Mobile Device Rules & Standards are to:

1. **Support the domestic market** in it's efforts to provide consumers with an innovative and convenient way to pay.

2. **Help our Participants launch mobile payment products faster** by providing them with a set of agreed industry standards.

3. **Promote compatibility and interoperability** between mobile payment applications and our domestic acceptance infrastructure.

4. **Protect customer choice** of payment application by preventing a third party from overriding the customer's choice for their own advantage.

5. **Provide a consistent user experience** for consumers and retailers.

Structure of the Rules

The Mobile Device Rules & Standards have been structured to cover the following elements of the mobile payment process:

Contents of the Standards

The Mobile Device Standards cover the three main areas below:

Form →
- ✓ The **parts a mobile phone needs** in order to make NFC payments.
- ✓ **How a mobile phone stores payment data**.
- ✓ **How a mobile phone communicates data** to an ATM or Point of Sale (POS) terminal.
- ✓ How a mobile phone interacts with an ATM or POS terminal to **select a priority payment application**.

Data Content →
Covers the minimum data a mobile phone payment application needs about:
- ✓ **the account linked to the payment application**,
- ✓ **how the mobile phone holder authenticates a payment instruction** (PIN or signature), and
- ✓ **how the payment application issuer authorises a payment instruction.**

Lifecycle →
- ✓ **Loading a payment application** onto a mobile phone (e.g. over the internet).
- ✓ **Changing the data on a payment application** (e.g. using the mobile network).
- ✓ **Changing the parts of a mobile phone** so that it can still make payments.

Maintaining the Rules

Mobile payments are evolving rapidly, so Payments NZ have positioned themselves to respond quickly to changes in the domestic market.

Innovation & Trial Process

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- ✓ **A new trial process has been introduced** to allow for innovation and new ways to make mobile payments.
- ✓ Ensures that **new mobile technology not covered by our existing rules can be trialled within an approved trial framework** that minimises risk to consumers, retailers, and other Participants.

Adaptability of the Rules

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- ✓ Payments NZ is conscious that **the new Mobile Device Rules & Standards will need to be reviewed and updated regularly** in order to remain relevant.
- ✓ A regular review process is being developed, and **Participants will also have the ability to proactively request changes** to the Rules & Standards where appropriate.
- ✓ The CECS Rules & Standards have recently **been restructured into a modular system that allows them to be updated more easily**, and therefore faster, than was previously possible.

Value Delivered to the Industry

Our new Mobile Device Standards aim to promote the uptake of mobile payments while protecting the credibility and security of the domestic payment system.

Protects the security of the payment system →	✓ Ensures that **NFC EMV mobile payment applications are interoperable and reliable.** ✓ Ensures that **new mobile technology not covered by our rules are trialled within an approved trial framework** that minimises risk to consumers and other Participants.
Creates a level playing field →	✓ **Protects the customer's choice of payment application,** which benefits all industry stakeholders, as it prevents issuers, schemes and retailers from overriding the customer's choice of payment application for their own advantage.
Facilitates faster uptake of mobile payments →	✓ **Banks can launch faster and more efficiently** if they have a common set of multilateral rules to guide development; which will provide them with **confidence that their applications will be interoperable** and removes the need for lengthy bilateral negotiations. ✓ Protection of customer choice of payment application and providing a consistent user experience **will increase user confidence and help drive uptake.**