

Mobile Banking in Europe and potentials for MNOs

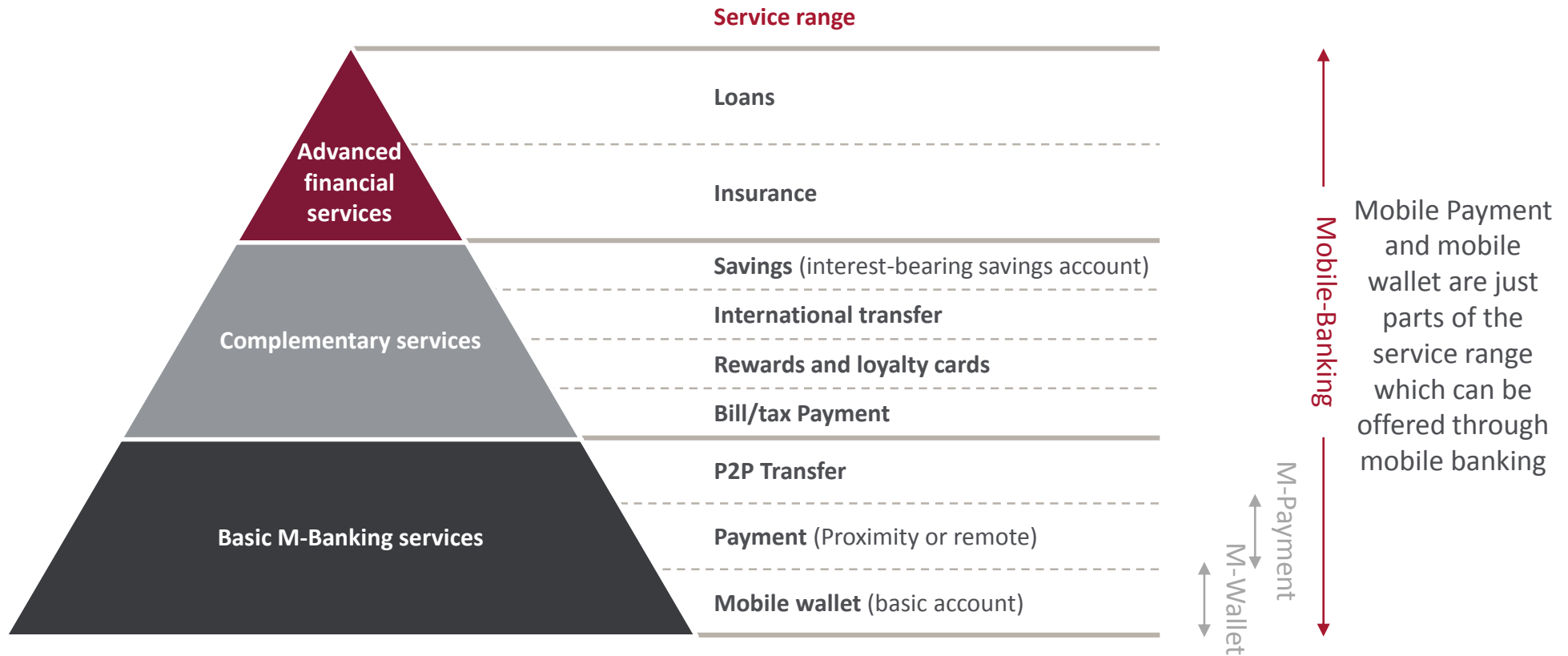
CME Sharing Initiative

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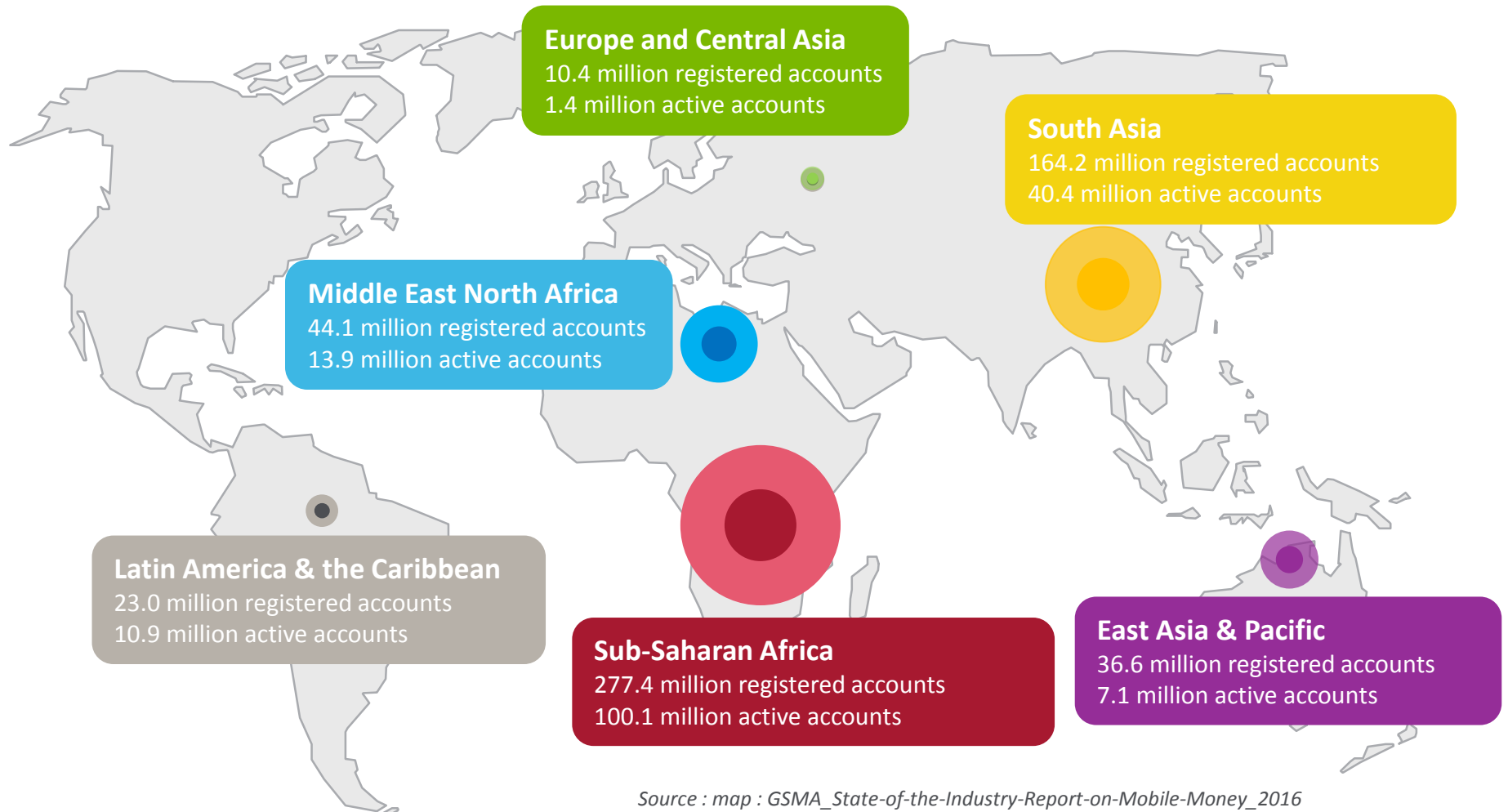
Mobile Payment/Transfer are the most common services, although in mobile banking there are more value-adding financial services



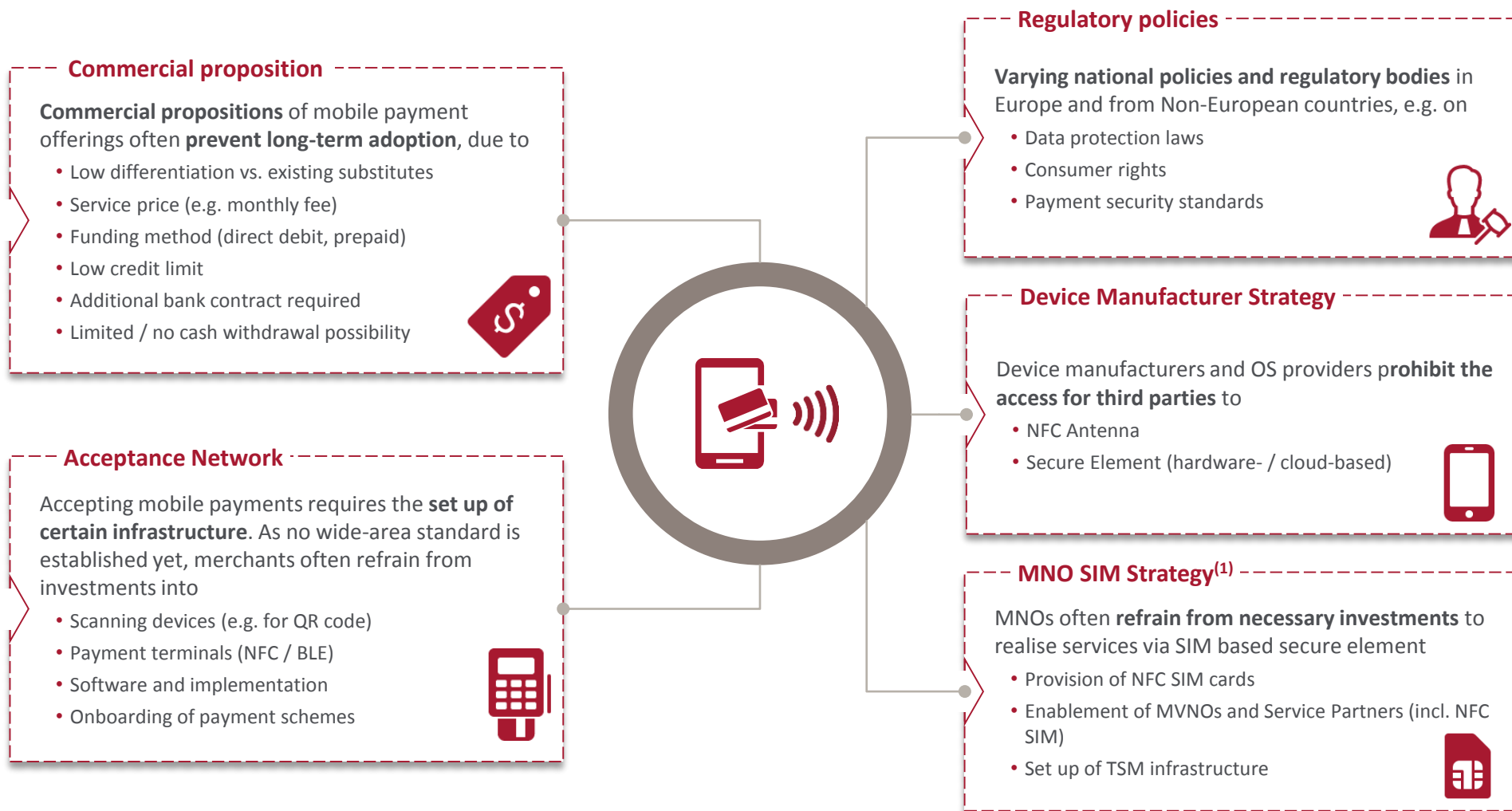
Different players perspectives :

- **Banks** already have all the financial services of the pyramid and see Mobile as a new payment/transfer method
- **Other players** (including MNOs) see a way in Basic services, such as payment and transfer, to create a customer relationship which could lead to more value-adding products

In 2016, the number of registered and active Mobile accounts shows Europe is late in comparison to the rest of the world

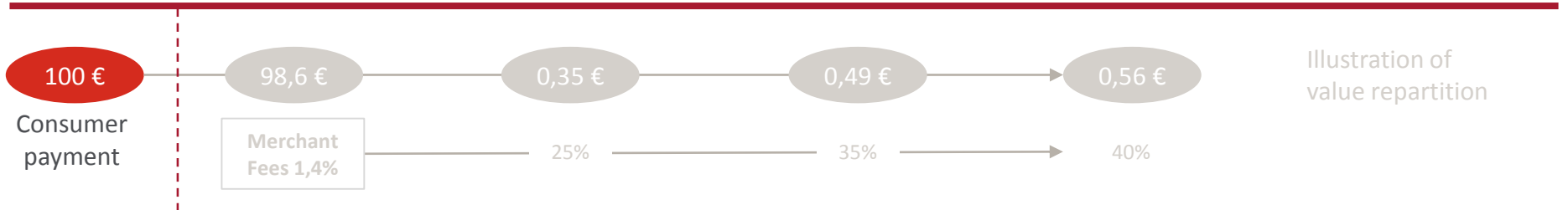
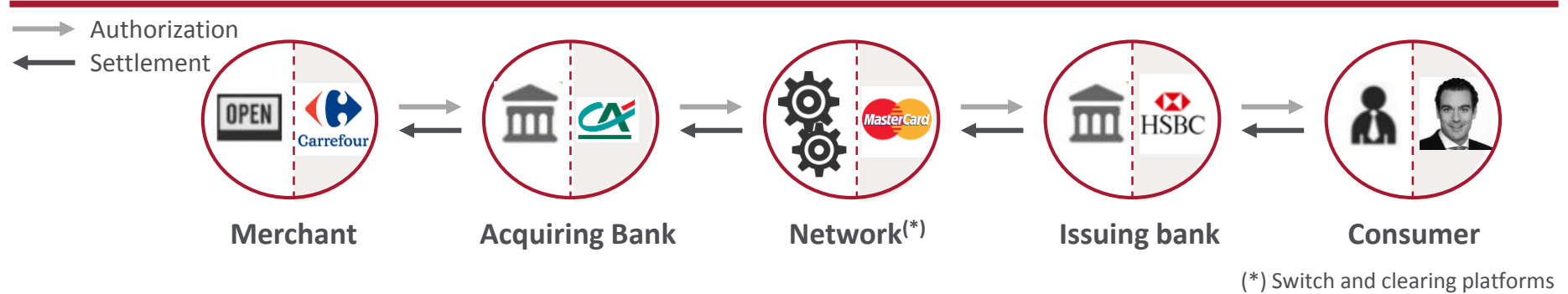


Although mobile payment penetration varies across countries, the reasons why Europe is late with mobile payment are manifold



(1) Only valid for NFC payment realised via the SIM based secure element

Payment value chain shows that market for electronic payment is controlled by five key stakeholders today



Pays	Percent of the transaction to Acquiring Bank for card acceptance	Interchange and network fees to Network	100% of interchange to Issuer	Fees to Network	Fees and interest (on credit) to issuing Bank
Receive	Immediate payment for goods (1-3 days)	Fees for risk and servicing from Merchant	Fees from issuing and Acquiring Banks for operating the network, brand promotion, payment and security standards	Fees for risk and servicing from cardholders Interchange from Network	Convenient way to pay, rewards for using certain card products

With huge mobile payment potential, new players are trying to target the final consumer relationship taking over activities of traditional bank



Caption

- Core Business
- New activity
- New conflict area

Traditional acquiring bank activities		
Recruit merch. / Manage relationship	Equip merchant (EPT)	Manage account

Traditional issuing bank activities		
Manage account	Equip consumer	Recruit cons./ Manage relationship

Banks	
Handset manufacturer	
Telecom player	
OTT	
OS	
Bank Schemes	

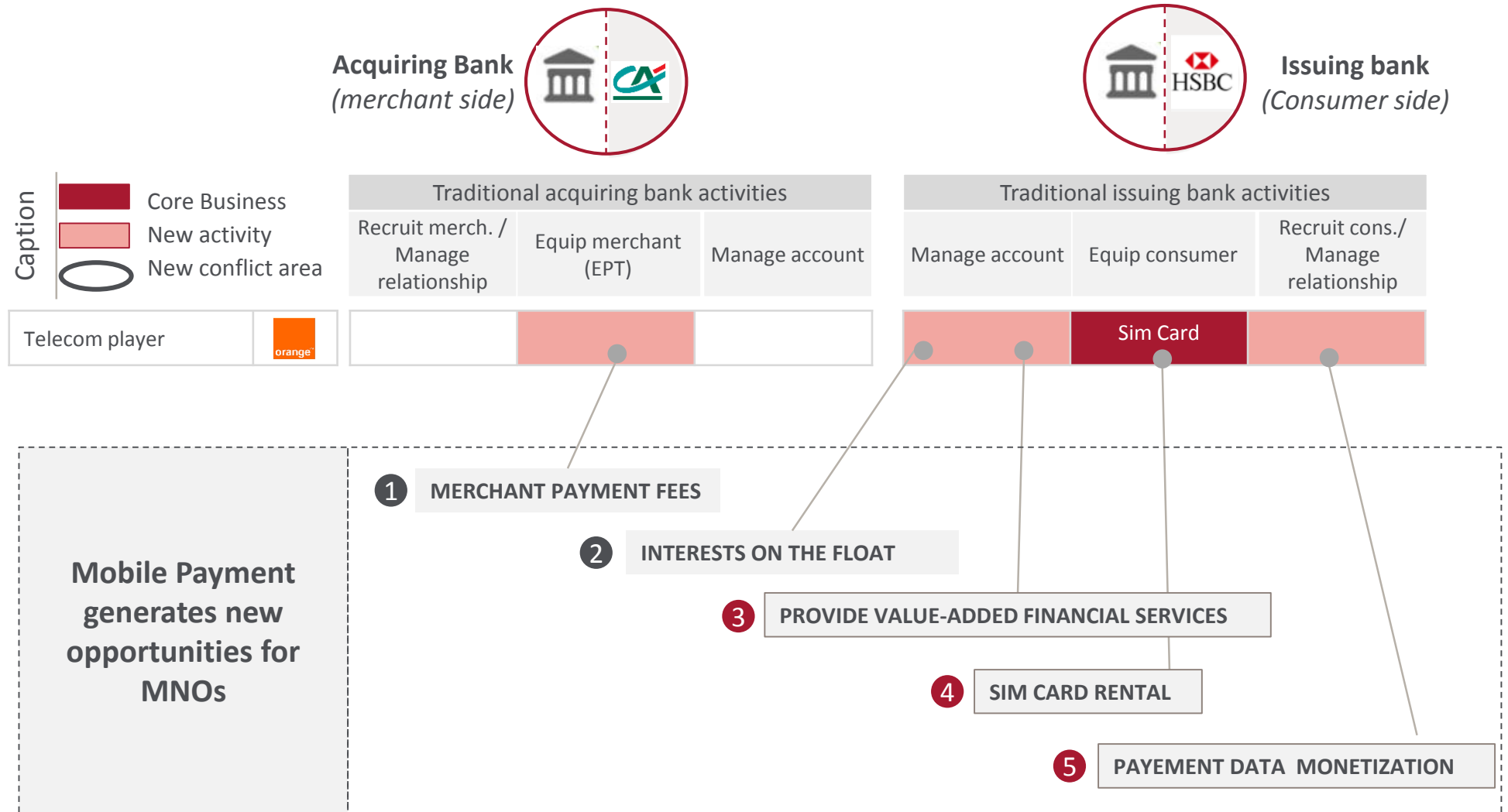
①		

	Payment card	②
	NFC antenna	
③	Sim card (*)	

- ① Lack of standardization and technology proliferation create a need for merchant recruitment as players want the largest acceptance network
- ② Almost all players of the ecosystem are using the M-payment opportunity to create/consolidate the final customer relationship
- ③ Telecom and OTT players can be tempted to use M-Payment opportunities to become banks (Orange bank example)

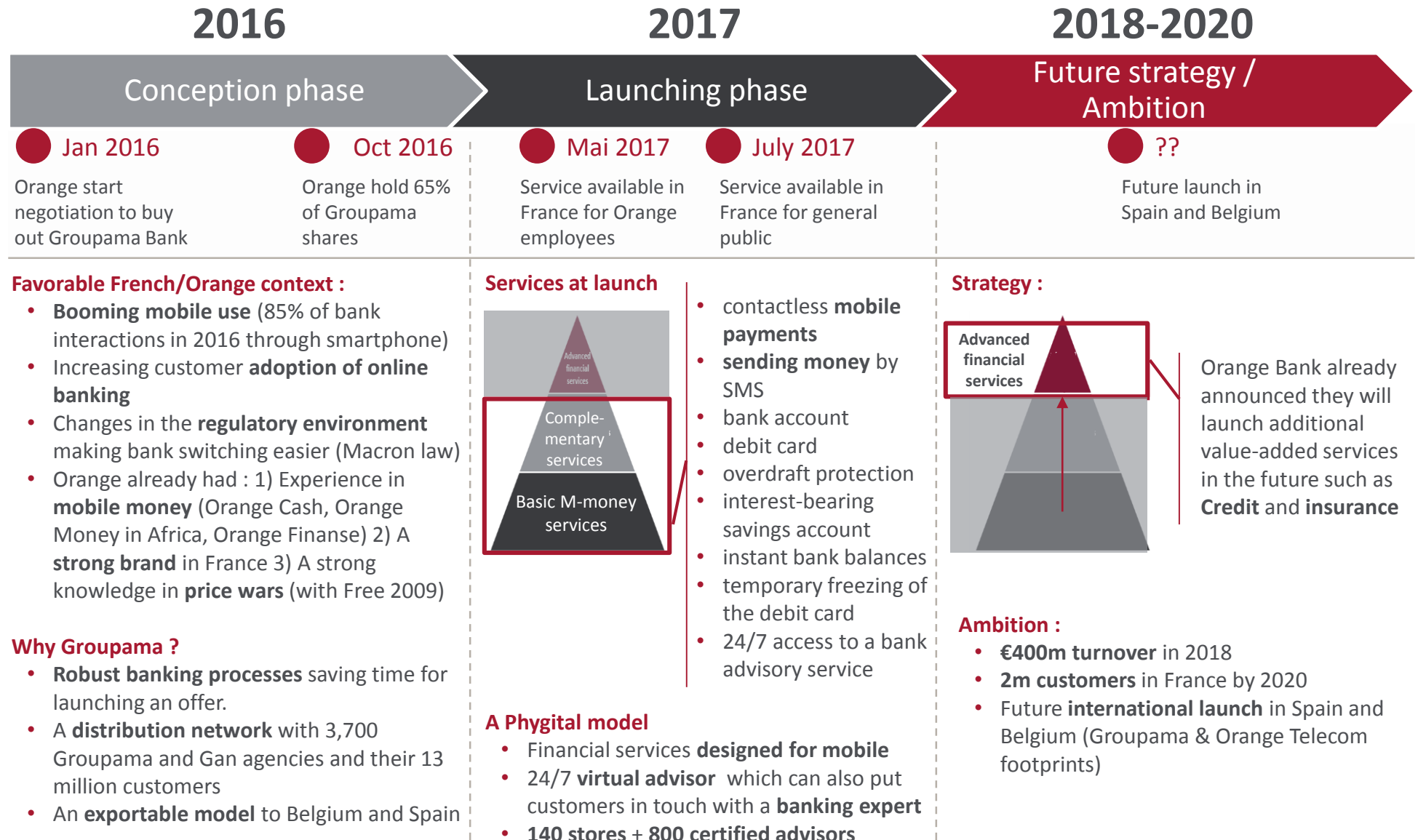
(*) Sim secure element NFC capable Sim card is required

This new positioning on the value chain means new revenue potentials for Telecom players

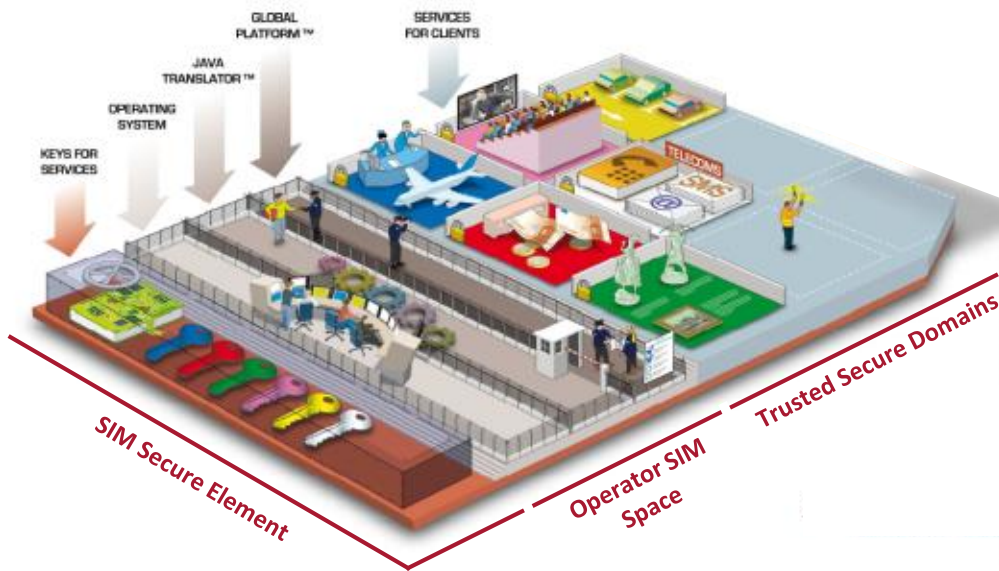


(*) Switch and clearing platforms

3) Provide financial services: Orange became a Bank buying out Groupama Bank



4) SIM Rental model: Renting secure space on the SIM card to service partners



- SIM serves as a hosting- platform for third-party services
- Services are encrypted and stored in a trusted secure domain of the SIM card
- „Keys“ to the secure services are saved in the secure element of the SIM and are provided by a TSM (Trusted service manager). The key is not known / visible to the MNO
- Services and keys are provisioned, and can be configured, over-the-air (OTA)

Third-Party service provider pay a SIM-Rental fee to the MNO for providing hosting-space on the SIM card (UICC)

Revenue Streams for MNOs from SIM Rental business

1

Activation Fee (1-time)

- Activation fee per new application (e.g. Payment card) successfully installed on a customer UICC storage slot
- No further integration costs, if SP-TSM (Hub) is already connected to MNO-TSM

2

Hosting Fee (Annual)

- Hosting fee for each application installed on a given UICC
- Annual Fee charged according to Volume tiers reached (<50k, <100k to >100k Units)

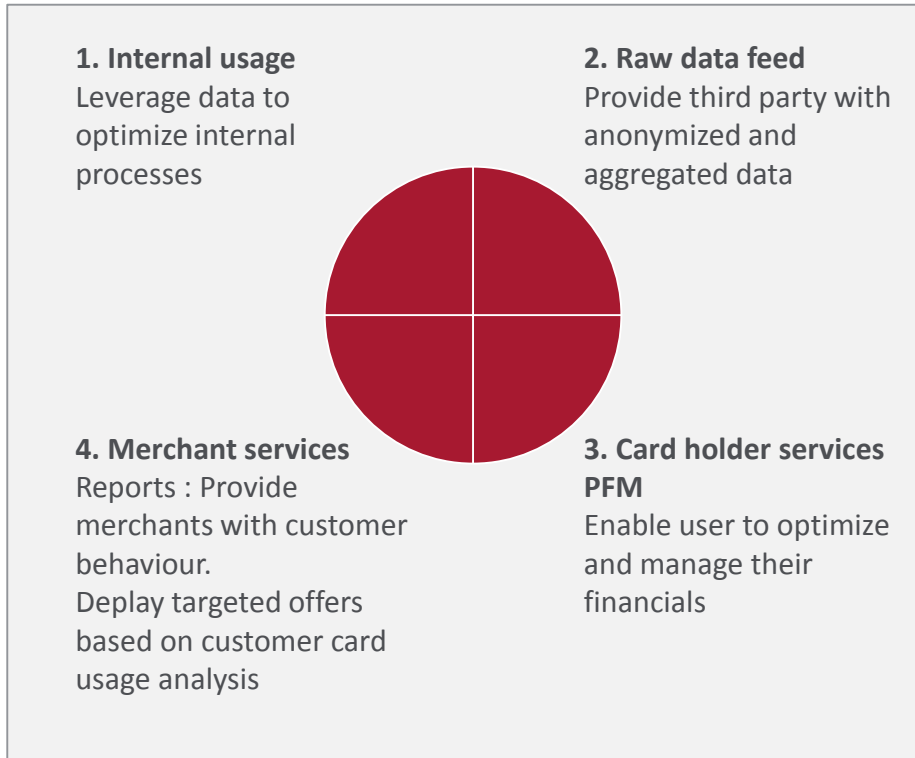
3

Lifecycle Fee (per Event)

- Fee for OTA (SMS) actions, e.g. personalization, blocking, updating or deleting a given UICC-Application

5) Data monetization : M-payment data is a valuable asset and MNOs are trusted companies when coming to Payment data privacy and security

Payment data can be monetized in four ways



- *Compared with other payment methods, Mobile Payment is considered a high volume, low margin product*
- *Over the past years, banks have considered Payment Data as a way to compensate decreasing payment margins*

Source : [link](#)

MNOs are trusted companies to get and manage Payment data

	Which of the following M-Payment service provider do you trust ? ⁽¹⁾	Which player do you trust for the record of your activity to remain private and secure ? ⁽²⁾
1	Banks and savings banks	Credit card companies
2	Online payment providers	Government agencies
3	Credit card organizations	Your landline telephone company
4	Smartphone manufacturers	Your celular telephone company
5	Telecommunication provider	Your email provider(s)
6	Internet companies	Your cable TV company
7	Specialized mobile payment providers	Company our retailers you do business with
8	None of this providers	Your research engine provider(s)

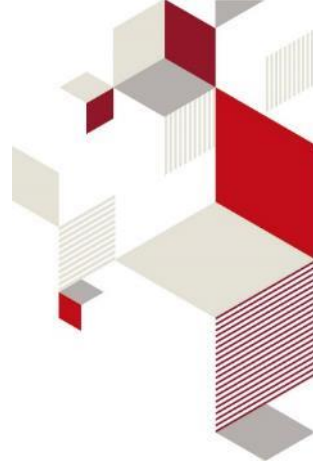
N = 1015 / Germany / S4 2016 - S1 2017

N = 498 / September 2014

Source :

1) PWC / Mobile Payment report : What customers really want ? / 2017 / (Germany)

2) Digitworld Research / Data Monetization / Opportunities beyond OTT / 2014



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