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Deutsche Bank



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Mobile Possibilities: Phones Make Payments More Flexible, Secure and Efficient

Though still at an early stage of development, mobile financial services — and in particular mobile payments — are becoming increasingly popular. Gartner research suggests that by 2011 more than 100 million people will pay for products and services using their mobile phone, up from 33 million in 2008. Indeed, new market initiatives to roll out mobile payment services are now commonplace.

While mobile payments are beginning to get market traction, the focus has remained on consumer applications. Yet mobile services also hold significant promise in terms of corporate payments.

Mobile Banking

Mobile banking provides a portal to a bank's financial services. In addition to payments applications (similar to Internet banking), the mobile offers additional possibilities to streamline a corporate's payment processes.

One solution that Deutsche Bank is currently rolling out is using mobile handsets to remotely authorise payments. The payment file is prepared, for example, by a corporate's accounts payable/accounts receivable department, while the payment itself is authorised remotely using a corporate smart phone and security token. In this way, you remove constraints of geography and time — payments can be authorised at any time and anywhere.

Mobile Money Transfer Applications

Mobile money transfer applications (person-to-person) let people transfer or remit money to others, either domestically or cross-border. Mobile money transfers have developed successfully in emerging markets where the "unbanked" are increasingly using mobile payment services as an alternative to cash.

One promising application is in cross-border remittances, a service allowing migrant workers to send money home to their families. This is a very large market worth \$375 billion in 2008 and generating approximately 1.5 billion cross-border transactions, according to WorldBank. Most of these transactions are still made in cash, which is expensive and inefficient.

The mobile phone allows people to remit money in a way that is easier, more secure and cheaper than existing cash-based methods. Remitters load a mobile "wallet" (stored value account) in order to make payments by sending an SMS text message to a beneficiary in

the receiving country. The beneficiary will be notified instantly that an amount is received and will be able to claim the money with a local financial institution.

Companies could use the same mechanism to make a range of payments to the unbanked, one example being salary payments. A company will, for example, be able to pay its employees by crediting a mobile account, replacing the need for cash disbursements.

Person-to-Business Payments

The third group of mobile payment applications is mobile Person-to-Business (P2B) payments that enable the sale of goods and services — either on the mobile web or in store through contactless near field communication (NFC) technology.

While the mobile phone could provide both consumers and businesses with a convenient and secure alternative to cards for online commerce, using it as a second channel for authorisation could also reduce the risk of fraud in Internet-based transactions.

For payments in physical locations, a customer would tap his NFC phone on a merchant terminal enabled for contactless payments. This action will exchange payment information between the application in the customer's phone (e.g., a credit card application) and the merchant's accepting network. The payment is then completed faster than with cash or traditional cards, providing increased revenue potential to merchants.

Such "tap and go" payments hold the promise to replace cash and are expected to significantly drive the adoption of mobile payments. Juniper forecasts that the gross value of payments made through NFC for low-value purchases (such as refreshments, tickets and food) will exceed \$75 billion globally by 2013.

New Payment Streams Developing Quickly

Global banks will ensure that mobile payment options are integrated in their merchant acquiring offerings, making them part of the broad suite of payment options that are offered to their merchant clients.

Deutsche Bank is developing a number of new products that will support our institutional clients in offering mobile payments to their own retail base. The mobile phone will thus be integrated as a key component of our payment and merchant acquiring strategies. Currently we are working on several innovative mobile payment solutions for corporate clients, including corporate disbursements and collections, cashless delivery and supply chain management.

The Bank recently announced a partnership with LUUP to introduce mobile phone payment services to clients across Europe, Middle East and Asia. Using technology by LUUP and other mobile technology providers grants Deutsche Bank access to the latest technology and enables the Bank to move quickly in this rapidly developing market.