

The escalation of the mobile payments market in China

In the past year, mobile payments have become the most popular topic in the Chinese payments industry. According to iResearch's China Mobile Payment Research, the total transaction amount through mobile payments in China by the end of 2011 reached RMB 48.14 billion, an increase of 149.4% compared to 2010. At the same time, mobile payment users in 2011 are 190 million in total. iResearch projects that the total mobile payment transaction amount at the end of 2013 will hit RMB 200 billion. What is the basis for this jump?

Mobile payments in China have developed for years. According to the type of mobile communication used in payments, the technologies can be categorised into two types: mobile remote communication payments, and mobile near field communication payments. There are two types of technical solutions supporting mobile remote communication payments: the information communication based solutions which essentially use SMS as the vehicle to complete transactions, and the data communication based solutions which allow access to an online account through mobile phones. Several other technical solutions have been developed to support near field communication payments, which include NFC, RFID, finger print payment and solutions similar to Square. Among the solutions, the mobile remote communication payment is not an independent payment solution but a solution using a mobile network to facilitate internet payments. Of all the near field communication

payment solutions, NFC and RFID are most popular.

There are three groups of mobile payment players in the Chinese market: telecommunication carriers; the CUP and the banks; and third party payment processors. Telecommunication carriers strongly support 2.4GHZ based RFID technical solutions; China Mobile is the leading player in this group. The CUP and the banks are supporters of the 13.56MHZ based NFC technical solutions. Payment processors, in addition to the two mainstream solutions, also use other low cost solutions, such as 2D code payment, or finger print payment.

Based on the technical solutions, tens of thousands of payment products are designed and offered on the market by different service providers. This not only causes confusion for users, but also wastes resources and creates low efficiency in the development of the market. The variety of solutions also causes difficulties in regulating the industry. It is a miracle that the total mobile payment transaction amount reaches anywhere close to RMB 50 billion as it stands.

A milestone in the development of mobile payments in China was the CUP and China Mobile's settled dispute on the difference in technical solution. In June 2012, China Mobile and the CUP reached an agreement to support the 13.56MHZ based NFC technical solution to become the mainstream mobile payment solution in China. After that, the People's Bank of China announced its mobile payment standard, which supports the 13.56MHZ

based NFC technical solution. It is reported that the China National Standard on mobile payments was approved at the end of last year, and endorses the 13.56MHZ based NFC technical solution. However, the approved content has not been released yet. In addition, one year after the agreement, on 9 June 2013, China Mobile and the CUP made a joint announcement that a new mobile payment platform, which is based on the Trust Service Management system and which is jointly developed by China Mobile and the CUP, had gone live. It is indicated that this platform is supported by the banks. Eight banks have connected with the platform, and more banks will join. This platform will support a NFC-SIM card, will allow issuance of SIM card-based bank cards, and will have a mobile wallet with apps.

It is anticipated that, with the settlement of the difference in technical standards between the CUP and the telecommunication carriers and with the approval of the China National Mobile Payment Standard, the third party payment processors will very likely join the force. It is also anticipated that, with the settlement of the technical standard solution for mobile payments, the regulatory authorities may begin to make rules to ensure the healthy and sustainable development of this industry. All of these factors may be the basis for the jump in the transactions from RMB50 billion to RMB200 billion, which will create a booming industry chain.

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