

Mobile Payments Projects with Financial Institutions Lessons from the Trenches

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Payments Law Conference

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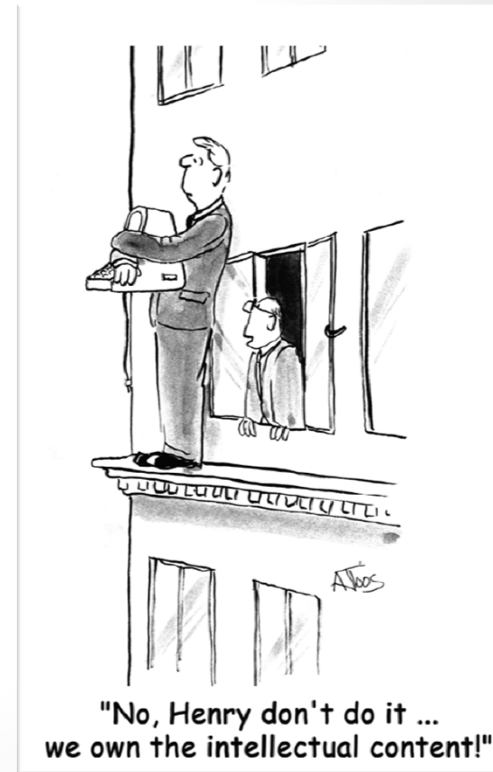
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DEFINING SUCCESS TOGETHER



Lesson #1

DECIDE WHO OFFERS THE PRODUCT

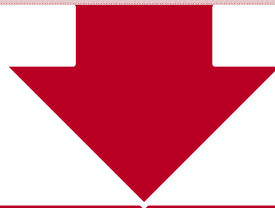


Lesson #1: Decide who offers the product



Three-to five parallel customer relationships are common – even before counting the merchant

“bank cards in a wallet app communicating with an operating system on a mobile device”



Extremes: Originating a bank product vs. providing a consumer technology to a user

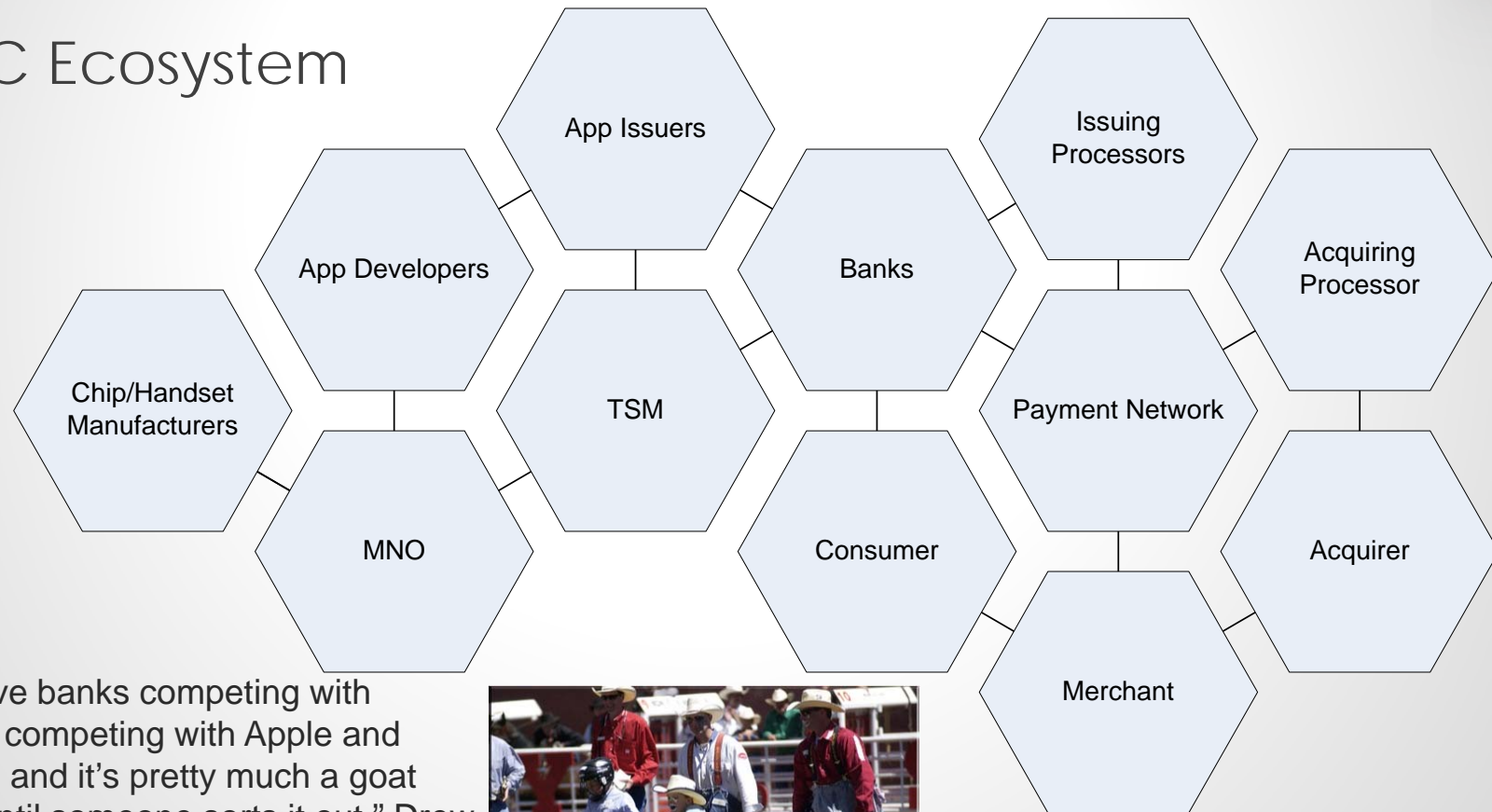


Determine what the product does – why does “end to end” never mean what it says?

Lesson #1: Decide who offers the product



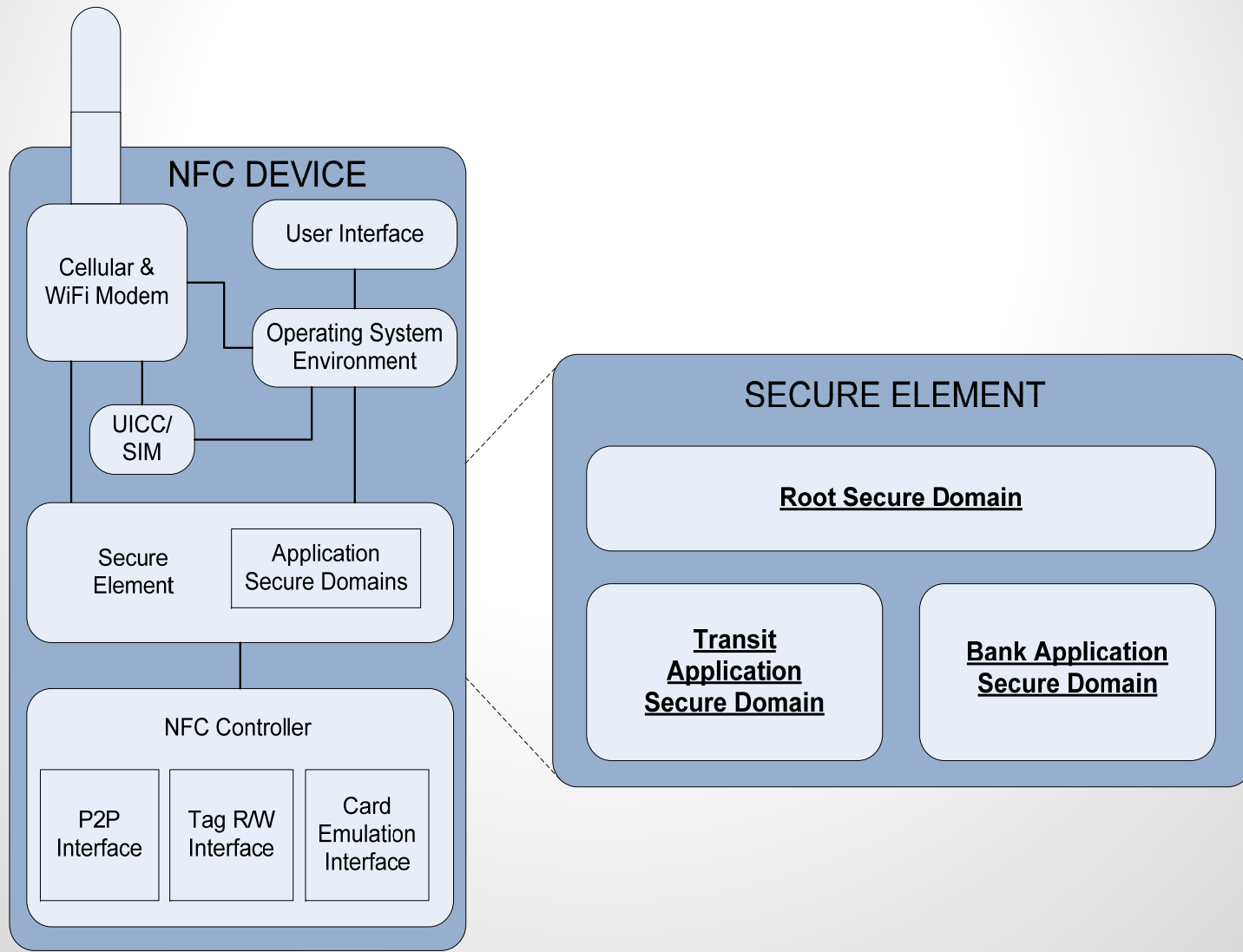
NFC Ecosystem



“You have banks competing with carriers competing with Apple and Google, and it’s pretty much a goat rodeo until someone sorts it out.” Drew Sievers, chief executive of mFoundry (developer of mobile payment software for merchants and banks)



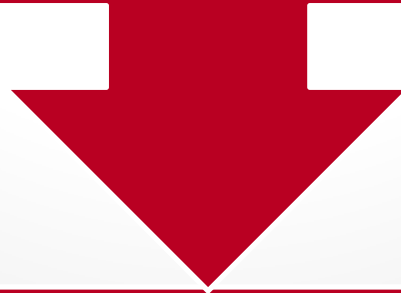
Lesson #1: Decide who offers the product



Lesson #1: Decide who offers the product



Issues: Intellectual property (!), UDAP, licensing, commercial/settlement risk, vendor management, privacy/data security/data use rights, customer mobility



Reps and warranties, audit and access rights



Lesson 2

A USER INTERFACE IS NOT A PRODUCT

Lesson #2: A User Interface Is Not a Product



Know your product – front-end and back-end
– and competing products



What hardware, software, connectivity, and
third party dependencies are involved?

What problems does
it solve?

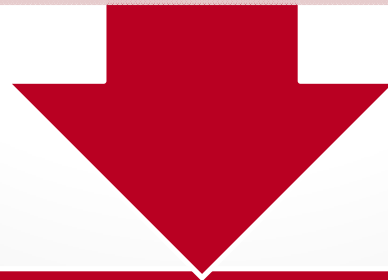
What problems does
it create?

Lesson #2: A User Interface Is Not a Product

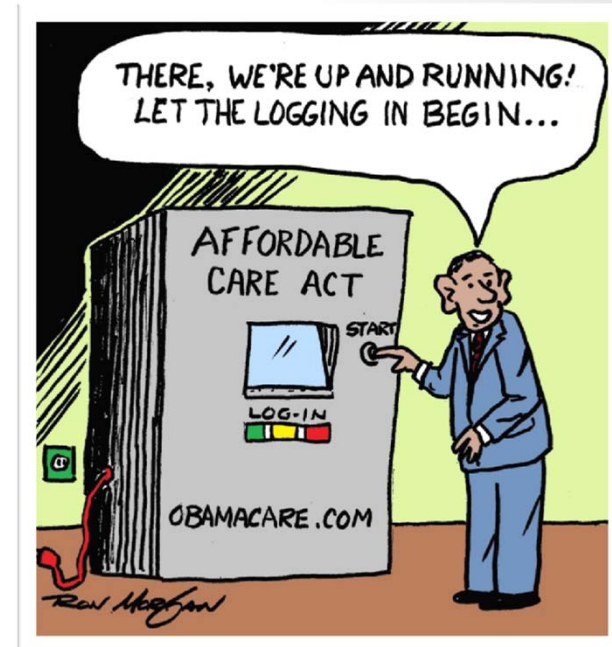


Structural defects cannot
be cured by disclosures

Mobile has no room for disclosures anyway



Issues: Consumer protection, network rules,
vendor management guidance



Lesson 3

**IT WILL TAKE LONGER
THAN YOU THINK**

Lesson #3: It Will Take Longer Than You Think



Meet the Risk, Compliance, Procurement, and InfoSec teams

Leverage existing compliance infrastructure and isolate "incremental risk" so most of the program is "business as usual"

- Can't escalate risks to the right level until identified

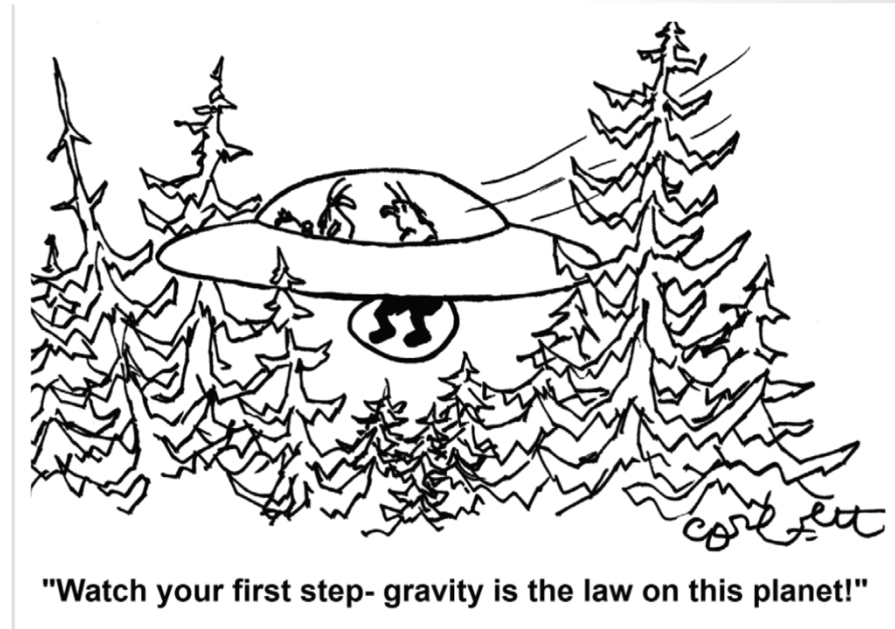
Lesson #3: It Will Take Longer Than You Think



Brute force and personality will ultimately yield to institutional stakeholders that are empowered to say "no"

- Embrace and address the concerns of internal control teams
- "Meaningful disclosure" can mean less is more

Issues: Regulator supervisory power, internal financial institution policies that may exceed legal requirements



Lesson 4

THE LAWS OF GRAVITY STILL APPLY

Lesson #4: The Laws of Gravity Still Apply



High-cost, high-profile, multi-party projects with multiple work streams – not a good time to train a deal team

Experience is crucial, but beware the false precedent:

- “But it worked in [fill in the blank: Haiti, Kenya, Germany, Japan, Canada, prepaid phone top-up...]”

Lesson #4: The Laws of Gravity Still Apply



Intense attention to project management and etiquette are needed

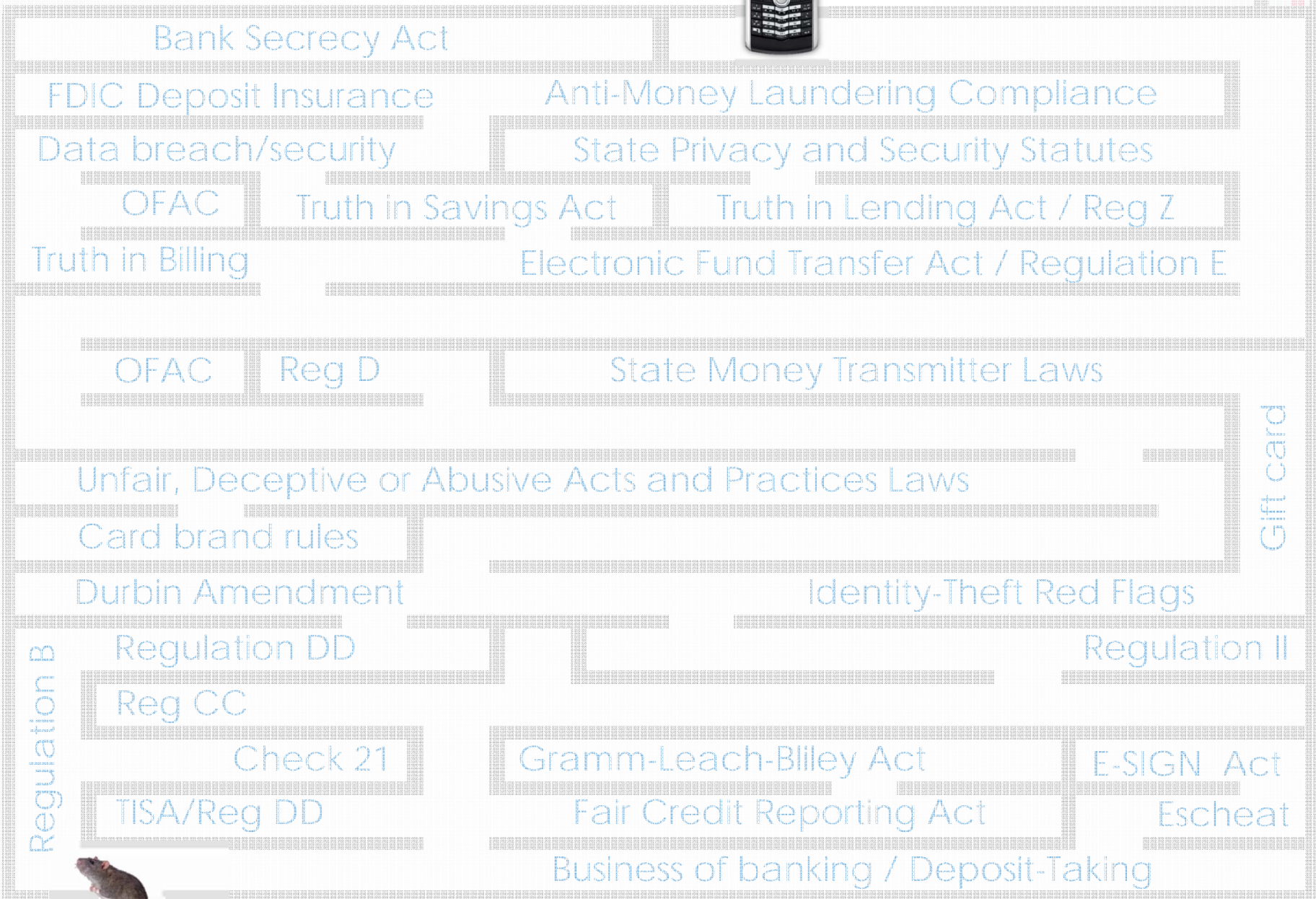
- Make operational and technical experts available

The Phony Launch Date

Issues: Confusion on intellectual property rights, premature contractual commitments, strained relationships (internal and external)



**GOAL – NAVIGATE THE MAZE
AND LAUNCH SUCCESSFULLY**





Identify legal issues as early as possible and address them – they won't just go away



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