

Electronic Payments

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Introduction

Characteristics, and Samples

Characteristics

- Replace cash and checks;
- Meet simplification/speed requirements;
- Made directly, or via trusted parties;
- May involve new players;
- Associated with security, and duty of care;
- Cryptocurrencies: “open” issuance/trading?;
- Used to buy things “still to be produced” (ex.: books and music sent “on-demand”)
- Hard to anticipate buyers’ future use (“personal, family, or domestic”?, of professional?)

E-currencies

- Criptocurrency: “*chain of digital signatures*”
- Decentralized, autonomous, open source
- P2P, anonymous transactions
- USA(NY): regulation on capital and reporting; licenses for issuing/storing
- Brazil: Central Bank warning, IRS requires disclosure

Samples

- Credit and debit cards;
- Online Payment (PayPal in 2014: 4B peer-to-peer payments, 1B mobile; 203 markets; 100 currencies; U.S.: \$ 220B; \$ 370B by 2017)
- NFC;
- POS;
- Electronic Transferable Records

Sample country: Brazil

- Decreased use of cheques (\approx 5% in 2011);
- Increased nr. of e-transactions (\approx 14% 2011);
- Remote banking: number of transactions/user within 2006-2011 has multiplied by 125

Financial Inclusion

- ◎ U.N.: Sustainable Development Goals
 - Reduce inequalities by promoting economic inclusion of all
- ◎ Technology-driven model: more users, broader portfolio, lower costs
- ◎ Private sector interested in complementing funding and innovation

Issues

- M-payments: telecom, financial, or both?
- E-currencies are purchase of money (means of payment), or purchase of goods (digital files, assets), or acquisition of services (money exchange, money transmission)?
- Cryptocurrencies: money without intrinsic value? private originators?
- Payment gateways are financial service providers?
- Applicable law/jurisdiction for “global”
- *lex informatica*; e-commerce usages

Complexities

- Security:
 - how comprehensive shall be the duty of care?
 - To what extent should end-users share liabilities?
- Privacy/consumers:
 - Banking secrecy, telecom secrecy: comingling?
 - Behavioral targeting / advertising
- Criminal typology
- Systemic risk
- Taxation

From physical to “virtual”

Approaches to progressive digitization of payments

Countries' Strategies

- Kenya: M-Pesa (telecom-based system);
- India: ICICI (on-line wiring to anywhere);
- Germany: Fidor (all-inclusive bank account);
- U.S.: smartphone check “selfies”

Sample evolution - Brazil:

- 1999: Central Bank: Financial Inclusion + banking correspondents + social purpose bank
- 2004: Federal law: “Bolsa-Família” (>13,9M beneficiary families; > R\$ 2.3B in benefits)
- Community banks: Palmas Institute / Brazilian network; e-currency + m-payments
- “Payment arrangements”: telecom + financial system

Conclusions

Findings:

- Money history: progressive “dematerialization”
- Forbes: “cash is trash” (obsolete); “Money 3.0”
- Inevitable (e.g., for financial inclusion)
- Adoption of best practices / regulations

Muchas gracias por su amable atención

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