

## Mobile payments Opportunity vs. risk



### Understanding the unique combination of first mover opportunities and business risks.

The term mobile payment refers to the act of making a payment from, or via, a mobile device.

The expanding mobile payment sector is highly fragmented, with a variety of competing technologies and business models vying to capture consumer attention and early market share. These range from peer-to-peer mobile money transfers to in-store app-based payment and full e-wallet functionality enabled by Near Field Communication (NFC) technology.

Whilst the rewards for those able to capture early market share are likely to be significant, the inherent risks of this new market, suite of technologies and collision of industries is significant.

#### What are the challenges?

- **Business model refinement** – Mobile payment services are rare in their requirement for collaboration across multiple sectors. It is critical that any viable business model is built on robust and equal foundations, ensuring value is shared amongst participants and each participant plays to their respective strengths.
- **Regulatory compliance** – Any mobile payments service needs to comply with legal regulations, whether they be financial or consumer-based. This becomes more challenging when players are entering unfamiliar new markets.

- **Information privacy and protection** – Mobile payments will significantly increase the volume and types of data obtained. Ecosystem players need to be conscious of complying with relevant data privacy laws.
- **Security and fraud risk** – Security and fraud concerns represent a significant challenge to consumer adoption. Contactless technology in particular presents new fraud and security risks, such as device and e-wallet vulnerabilities, malware within tags, eavesdropping data or man in the middle attacks. Keeping the technology secure across the entire system will help prevent potential financial loss, regulatory breaches and reputational damage.
- **System design and implementation** – There will be significant upfront investment costs and integration challenges as new systems and processes are deployed and interface with existing ecosystems.

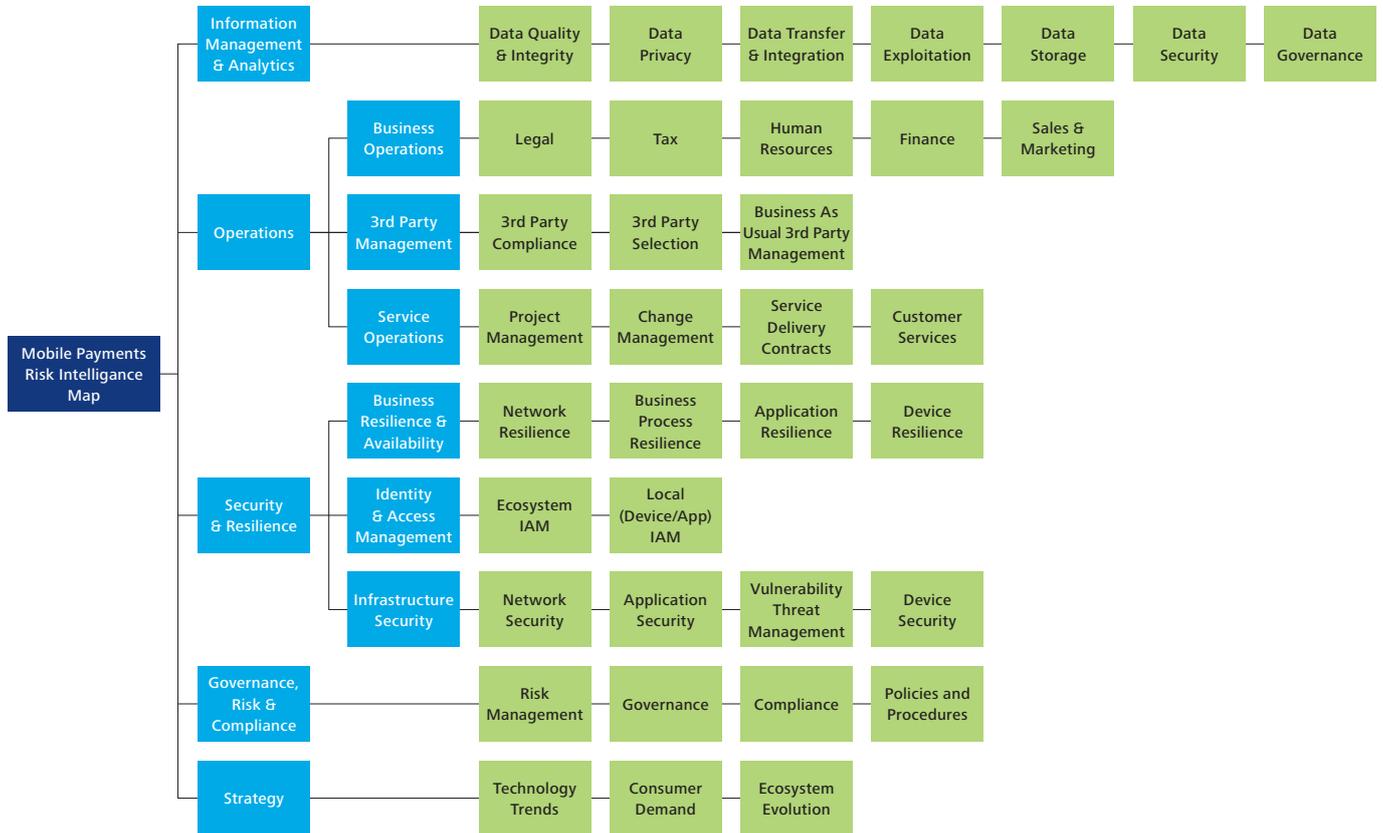
#### Our perspective

From initial strategy definition, through to implementation and go-live, a mobile payments ecosystem presents a complex web of interconnected risks across finance, operations, technology, legal and compliance and third party management. These challenges can be overcome with a clear and sustained focus on risk and governance throughout the development, launch and business as usual (BAU) stages.

### Our risk based approach

This approach helps you to prioritise risk mitigation activities and develop cost effective processes and controls, embedding them into the overall design of your mobile payment solution from the start. Supplementing this analysis is a suite of services we have tailored specifically for the mobile payment market; ranging from regulatory advice, risk and control framework development, security and resilience testing, data analytics and information privacy and protection services.

Figure 1. Summary extract of mobile payments risk map



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## Our services

Deloitte Enterprise Risk Services has tailored a set of proven risk-based services that can help you address mobile payment risks applicable to your business. A selection of these services are shown below:

Information privacy and data protection	Regulatory compliance	Security and resilience
<p><b>Example services:</b></p> <ul style="list-style-type: none"> <li>• <b>Privacy impact assessments:</b> Through the development of a control framework, we would help you identify and manage information privacy risks and regulatory requirements associated with your role in mobile payments.</li> <li>• <b>Data management:</b> To assist you in understanding the risks associated with new data sets, we can work with your organisation to instil the appropriate data governance and value and analytics mechanisms to gain a greater benefit from your data – all within a secure and compliant framework.</li> </ul>	<p><b>Example services:</b></p> <ul style="list-style-type: none"> <li>• <b>Regulatory and compliance advisory:</b> To assist you in understanding the regulatory environment and the impact this could have on your role in the mobile payment value chain. We can assist your team in developing mechanisms and processes to support your compliance and ongoing regulatory requirements.</li> </ul>	<p><b>Example services:</b></p> <ul style="list-style-type: none"> <li>• <b>Penetration testing services:</b> To identify vulnerabilities in your mobile payments infrastructure and assist you in defining fit-for-purpose controls and remediation plans.</li> <li>• <b>Security framework:</b> To define the overall security framework and design appropriate security controls within and beyond mobile payment systems, networks and processes.</li> </ul>

Business model refinement	Risk management and control	System design and implementation
<p><b>Example services:</b></p> <ul style="list-style-type: none"> <li>• <b>Strategy and business model analysis:</b> Helping you analyse current business models and revenue sharing arrangements through financial modelling tools and bespoke advice with a view to creating more efficient models for the benefit of involved parties.</li> <li>• <b>Revenue assurance:</b> Our specialists can work with you to reduce the risk of lost revenues, assessing risks within overall process flows, identifying gaps and design flaws which drive up costs.</li> </ul>	<p><b>Example services:</b></p> <ul style="list-style-type: none"> <li>• <b>Risk and control assessment:</b> Drawing on our experience across both the telecoms and financial/ payments sectors, we can provide an independent and comprehensive assessment of the entire risk landscape. From this we can assess the current control landscape and create an overall framework to test and improve controls.</li> <li>• <b>Third party assurance:</b> Using our knowledge of assurance service auditing standards we can assist you in achieving a reasonable level of assurance requirements to and from third parties.</li> </ul>	<p><b>Example services:</b></p> <ul style="list-style-type: none"> <li>• <b>Programme management and project management office (PMO):</b> We can assist you in project management and technology rollout. We can help you define and set up PMO functions and project good practice.</li> <li>• <b>Project risk and assurance:</b> Drawing on our bespoke project assurance methodologies, we can help you identify and manage risks within your programme lifecycle prior to critical decision points, reducing the risk of project failure, delays or overruns and providing a reasonable level of assurance over the health of a project.</li> </ul>



### Why Deloitte?

On top of being independently recognised as one of the global leaders in business intelligence services, our deep set of skills in the area of operational controls makes us the partner of choice for addressing your mobile payment risks.

Our team consists of security, privacy, data analytics, and controls professionals with deep knowledge of the challenges your organisation faces in this new and exciting market. We have a proven track record in successful delivery of a variety of projects in the telecommunications, payments and financial services industries and have a large pool of experienced specialists we can draw upon both in the UK and globally.

For more information please go to:  
[www.deloitte.co.uk/mobile-payments](http://www.deloitte.co.uk/mobile-payments).

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