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How Tyfone Looks to Free Banks from Carriers in Mobile Payments

(June 4, 2008) A provider of mobile-banking and -payments software has begun promoting a memory card for cell phones that it says could allow financial institutions to move forward with contactless mobile payments without the need to work with wireless carriers. Portland Ore.-based Tyfone Inc., founded four years ago, is testing its Secure Digital (SD) card in contactless applications in Beijing and Singapore. Once inserted in a mobile device, the card allows communication with bank card issuers and permits users to make wave-and-pay transactions at points of sale equipped with contactless readers. "People are very intrigued by it," says Siva G. Narendra, Tyfone's chief technology officer and co-founder. "This is definitely an exciting time."

Tyfone's chief selling point for the product is that it allows banks and transaction networks to market mobile proximity payments to consumers without the need to work out business arrangements with carriers. Up to now, the progress of contactless payment by phone—generally using so-called near-field communication (NFC) technology—has been slowed by disagreements between financial institutions and wireless operators over business issues, including the carriers' need for transaction fees to recoup their investment in NFC capability. "There has not been a single NFC test that has gone beyond the trial exactly for that reason," says Narendra.

By inserting Tyfone's SD card into his phone's memory-card slot, a consumer could download card-account details from his bank and be ready to start making payments, Narendra says. The product, a standard memory card, is equipped with an antenna and middleware that communicates with bank servers as well as with an embedded smart card controller, using preloaded Tyfone software that provides a user interface. In this way, it works independently of the phone's SIM card, the carrier-controlled smart card that identifies users to wireless networks and that, in most NFC scenarios, determines when and whether payments can take place. Indeed, Narendra sees the card allowing banks and payment networks to establish direct relationships with handset users in the same way they do with Internet users on PCs. "No [Internet Service Provider] says you have to work with this bank or use this pipe," he says.

Narendra says the card will cost between \$4 and \$5 in high volumes, a factor that could dampen issuer enthusiasm, says Nick Holland,



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until recently an analyst with Boston-based Aite Group and now with ABI Research, Oyster Bay, N.Y. But Narendra says financial institutions can build the cost into annual or other fees they charge, and spread it over multiple accounts in the card's wallet. "You can also load the credentials necessary for customers to access [online banking]," he says. "You can view this as an electronic wallet that is issuer-centric." There is no technical barrier, he says, to the number of accounts that could be loaded onto the product.

While Tyfone's strategy is to free banks and card networks from dependence on wireless carriers, Narendra stresses the strategy is not opposed to mobile operators. In particular, he says, his product and a carrier-based NFC product can co-exist on the same phone, with the SD card handling payments and the two-way interactivity of NFC dealing with non-payment functions. "If carriers see this as a threat, there's nothing we can do about it except educate them that it's not," he says.

Still, analyst Holland says it's a mistake to sideline the mobile operators in payments. "Bypassing the operators is ultimately flawed," he says in an e-mail message to Digital Transactions News. "Issuers that want to have a long-term play in mobile payments need to work with, rather than around, mobile operators."

That doesn't faze Narendra. "We believe it's just a matter of time before an independent model will become a requirement," he says.

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