

Innovation and Regulatory Challenges

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Every day, Canadians pay for purchases online and send money using PayPal. PayPal is trusted by more than 4 million Canadians because its innovative business model allows buyers and sellers to transact over the Internet in a way that is fast, easy and safe for both parties. Consumers can buy online without sharing their financial information with sellers. Sellers can confidently do business online with the help of PayPal's fraud management systems, which minimizes losses due to fraud.

Innovation and safety are a part of PayPal's DNA. PayPal was one of the first companies to use CAPTCHA (Completely Automated Public Turing test to tell Computers and Humans Apart) technology to ensure that responses are entered by humans and not generated by computers. PayPal also introduced the concept of using random deposits in order to verify customers' ownership of bank accounts. Both of these technologies help keep PayPal Canada's customers safe.

In 2007, PayPal was one of the first Internet companies to adopt Extended Value SSL Certificates, which help identify spoofing sites. When consumers enter www.paypal.ca into one of the newer web browsers, such as Internet Explorer 7.0, the URL address bar turns green to let customers

know that they are on PayPal's site and not a spoof site. PayPal is also working with large ISPs to ensure that only digitally-signed emails from PayPal are delivered and that phishing emails purporting to come from PayPal are not.

More recently, PayPal has introduced new options to consumers who want to access their funding sources in more convenient ways. In October 2010, PayPal added a new Mobile Check Capture feature to its PayPal iPhone application allowing both businesses and individuals in the US to deposit paper cheques remotely into their PayPal accounts simply by taking a picture of both sides of the cheque with their iPhone.

Another exciting new payment technology that PayPal has introduced in the US is a service through the ATM networks which allows consumers to link their debit cards to PayPal accounts and to safely use their chequing accounts to buy online goods and services globally. PayPal submits these transactions through the ATM networks as PIN-less debit transactions. The networks are comfortable with the strength of PayPal's Risk and Fraud management capabilities and with the security of a User ID and Strong Passwords (minimum of 8 characters, alpha and numeric characters, and use of special characters), which

PayPal requires, and which is more secure than a 4 or 6 digit numeric PIN.


While Canadians can currently link their PayPal account to any Canadian chequing account, the ability to tie their debit card to their account would provide the additional flexibility and convenience that Canadian consumers want. However, Canadian Payments Association (CPA) rules do not currently allow the processing of web-initiated PIN-less transactions even though PIN-less transactions initiated by contactless cards are allowed without any additional authentication. Similarly, even though the CPA's newly introduced Rule A10 establishes requirements and technical standards related to cheque image creation and storage, there are no immediate plans to permit remote cheque imaging capture and deposit in Canada.

The accelerated pace of change is challenging regulators and infrastructures worldwide and Canada is no exception. For example, PayPal is working with infrastructure providers in other countries to enhance the speed and efficiency of bank transfers (such as Faster Payments in the UK or Same Day ACH in the US), and new developments in the mobile payments



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space seem to be appearing every day. Canadians cannot benefit from these innovations until the proper rules are in place to support new payment vehicles and new payment models while ensuring the safety and soundness of the system. But here is the challenge...implementing these changes can be, at times, a difficult and lengthy process.

PayPal is encouraged by the formation of the Task Force for the Payments System Review and supports the goals set out in the CPA Payments Strategy: Vision 2020 document. It demonstrates that Canadian regulators are aware that changes are needed and that driving efficiencies in payments and modernizing the payments legal framework are important goals. PayPal is dedicated to delivering safer, faster and more convenient e-commerce and mobile payments choices to Canadians, and welcomes the opportunity to share its global experience and perspective with Canadian stakeholders to contribute to the development of an advanced payments environment that meets the current and future payment needs of Canadians. 

The CPA is accepting nominations to the Stakeholder Advisory Council until January 7, 2011.

For more information regarding the Stakeholder Advisory Council, and the appointment and nomination process, contact:

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