

# SHORT-CODES.COM



## DRAFT INDUSTRY GUIDANCE

### Off Handset Purchases

National financial regulators have received guidance from the European Commission on whether the purchasing of third party content services by pre paid mobile customers who buy (third party) content services results in e-money being issued (normally by charging via PRS<sup>1</sup> (premium rate services)). This EC guidance means that the Financial Services Authority (FSA) should, through its own guidance, open up the use of PRS for services not delivered through the mobile device. However, the changes to the UK's regulation (the FSA Handbook) need to be consulted on publicly and this process will not be completed until the end of the calendar year.

### Where does this leave PRS in the meantime?

Previously, the FSA had issued guidance on e-money legislation to individual mobile operators which prevented telecommunications operators from enabling prepay customers to use certain premium rate services where the service itself is not delivered to the mobile phone.

In general, this restriction can now be lifted where there is a traditional revenue sharing relationship between the mobile operator and a merchant and where there is no direct payment relationship between the merchant and the end customer.

### What can you do now?

The EC guidance suggests that premium rate services that you offer no longer have to be provided to the mobile phone.

Therefore, you can now offer new services such as:

- digital services charged for using premium rate charges e.g. music downloads provided via the internet
- digital token services charged for using premium rate charges e.g. parking tickets.

### What can't you do?

Transactions that generate direct payment relationships between the prepay user and the merchant, for example, using PRS to top-up a third party account.

### What's the catch?

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<sup>1</sup> Premium Rate Services

The EC guidance is NOT final until implemented in the UK. The FSA will be undertaking a consultation on the EC guidance during 2005 which should be finalised by the end of the year. At the end of the year, definitive guidance should be included within the FSA Handbook. Consequently, we may, in certain circumstances, require you to change or withdraw a service. The final FSA guidance may differ from the EC guidance and so you may be required to amend/withdraw some types of services once the FSA arrive at a final view. We would therefore caution you to only make appropriate investments in new services at this stage. You should not treat this guidance as providing legal advice in relation to any of the services you offer or wish to offer and, if you wish to obtain such advice, you should consult an independent legal advisor.

## **Implementation**

Due to the uncertainty, mobile operators wish to take a cautious but practical approach during this transitional period.

When using Premium Rate SMS to charge for services not delivered to the mobile device, the consumer must request the service each time using MO. In this way, the consumer will always have complete control over what they spend.

Secondly, so that we can track the uptake of these types of services, for our own and possibly regulatory and legal purposes, please keep these services all on separate shortcode ranges away from other types of services - i.e. when your customers are using shared shortcodes. The agreed shortcode range to run such services will be 78xxx to run standard e-money services and 79xxx for any adult e-money type services.

Finally, when requesting services from operators on such short codes, please make the operator aware that the services offered are the subject of this guidance note.

The UK Mobile Operators:

Orange

O2

T-mobile

Three

Vodafone

The UK mobile operators have consulted the FSA about this guidance document and the FSA has confirmed that it has no objections..

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