

# Mobile Wallet Systems May Be a Boon for Sales, But What Are the Risks?

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**Chicago, IL** - One trend is clear: more and more retailers are accepting payment through so-called "mobile wallets" in lieu of traditional plastic credit cards. Experts predict that in coming years, the local and global market for mobile wallet technology will grow exponentially, especially within retail and hospitality industries. The growth will stem from wider availability and ownership of affordable smart phones equipped with Near Field Communication (NFC) technology, as well as aggressive moves from mobile network providers and payment networks to compete for the expanding market.

"Many customers and retailers will appreciate the convenience of not having to carry or handle traditional plastic credit cards," says Tawfiq Ali, a litigating attorney with the Chicago firm Ali Law Practice LLC. "At the same time, there are understandable concerns as the technology becomes more widespread."

Possible risks of the technology include potential data leaks of private information from local Point-of-Sale [POS] devices, mobile phones, transmission networks, or merchant hosts. Customers also may fear that such technology might allow a proverbial "big brother" to track their behavior or purchase history.

Ali argues, however, that "merchants should already be concerned about privacy and security. The traditional ways of accepting payment have always carried risks."

"At least with a mobile wallet solution, it is less likely that an employee will have to touch a physical plastic credit card. It is one way to reduce or eliminate a longstanding risk factor for identity-theft liability."

Still, as with any emerging technology, users should protect against potential risks.

"Retailers should ensure that their local payment systems are updated with the latest software and hardware security fixes, and they should limit and monitor physical and remote access to those systems to prevent invasive malware or disclosure of confidential information. These should be documented policies"

"Among many other things, [merchants should] ask providers about encryption standards and know, with clarity, what information is recorded or kept locally, as well as what is transmitted."

"Of course, they should also consider a backup system to accept payment if and when the mobile wallet system stalls or fails."

Ali predicts that lawsuits are on the horizon when the inevitable security breach occurs, or when defects in the technology are discovered, resulting in measurable business losses. "Retailers may be served well to be insured against such risks and losses, but would be even better served if they also have robust indemnification and defense agreements from their providers," he says. Ali also notes that the users of new technology, at least indirectly, are often affected by the patent disputes that follow.

"But despite the risks, which one should protect against by all legal means, mobile wallets are here to stay," says Ali. "They should be embraced as more and more customers expect retailers to accommodate them. One hopes that the technology will also result in cost savings, simpler procedures, and increased revenues for businesses."

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