

## 2002 Paper 7 Question 5

### E-Commerce

A new start-up company proposes to develop an electronic wallet, a device that can cryptographically hold electronic money, data, credit card numbers etc. Such a device might, for example, be included in a mobile phone.

- (a) Explain how network externalities affect the introduction of such a device. [5 marks]
- (b) Explain some of the legal and regulatory issues affecting such a device. [5 marks]
- (c) Sketch out the back-end processing and infrastructure that would be needed to support such a device. [5 marks]
- (d) Would such a device increase the overall security of a transaction? Justify your answer. [5 marks]