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Will European regulatory initiatives bring Tougher Decisions for Acquirers and PSPs in 2019?

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Editor's insight
on merchant payments industry

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Tougher Decisions for Acquirers and PSPs in 2019

In 2018/2019 both merchants and payment providers face pressing, strategic questions related to the selection of payment methods they support that need to be answered.

European regulatory initiatives like PSD2 promoting instant payments, open banking, and data sharing have created a new payment ecosystem. Acquirers and PSPs and card schemes, threatened by the risk to be bypassed by Third Party Providers, are looking now at the new business models and the roles they can play in this new ecosystem. However, the key questions remain, whether to continue playing in the traditional card acquiring space or to take full advantage of PSD2 by opting for PISP/AISP licensing? What can be done in-house, what in collaborating with partners for those opportunities that lie outside the expertise?

Other questions relate to the future direction of European Card Acquiring.

In 2018, cards continue to grow their share of the European payments market but the increasing scheme fees are eroding the benefits of interchange regulation. British Retail Consortium warned in 2018 that scheme fees increased 39% in 2017. Various consumer groups ask the European regulators to step in to protect merchants from hidden fee increases. The UK Payment Systems Regulator (PSR) announced in July 2018 a market review into card-acquiring services, including a public consultation whether there is effective competition and supply of card-acquiring services.
What's next for Card Acquiring, Scheme fees and Interchange Fee Regulation in Europe in 2019?

Future of card acquiring, fees evolution, new merchant payments options, Open API technology are among the key topics to be discussed at the MPE 2019, Europe's Largest Merchant Payment Acceptance Conference in Berlin, February 19-21.

Request the Agenda & register at
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MPE Awards 2019

Call for entries open NOW!

The Merchant Payments Ecosystem Awards (MPE Awards) celebrate and honour the achievements of companies across European merchant payments ecosystem. MPE Awards history started in 2010 as the first European awards to recognize the outstanding role of card acquirers, processors, PSP's, POS and payment solution providers and to honor companies and individuals who helped move the industry forward.

The MPE 2019 AWARDS CEREMONY is a part of the 12th annual MPE 2019 (Merchant Payments Ecosystem) conference and exhibition and the winners will be announced in the glittering AWARDS Gala Dinner attended by 1000+ MPE conference participants on February 20.

For 2019, the categories have been fully updated to reflect the areas that matter most to payment acceptance in today's market. There is a brand new category for MERCHANTS entering the Awards recognising "Best Merchant payment implementation/process". MPE Awards 2019 recognize the best payment companies in 12 categories, divided into 2 groups with different voting/judging process:

PEOPLE'S CHOICE AWARD

MPE INFLUENCER OF THE YEAR AWARD

JUDGE'S CHOICE AWARDS

BEST ACQUIRER/ PROCESSOR OF THE YEAR AWARD

BEST PSP AWARD

BEST ID, SECURITY & ANTI-FRAUD SOLUTION AWARD

BEST ON-BOARDING PROCESS/SOLUTION AWARD

BEST POS INNOVATION/POS SOFTWARE PAYMENT APPLICATIONS AWARD

BEST ALTERNATIVE PAYMENT SOLUTION AWARD

BEST INTERNATIONAL/ CROSS BORDER PAYMENT SOLUTION AWARD

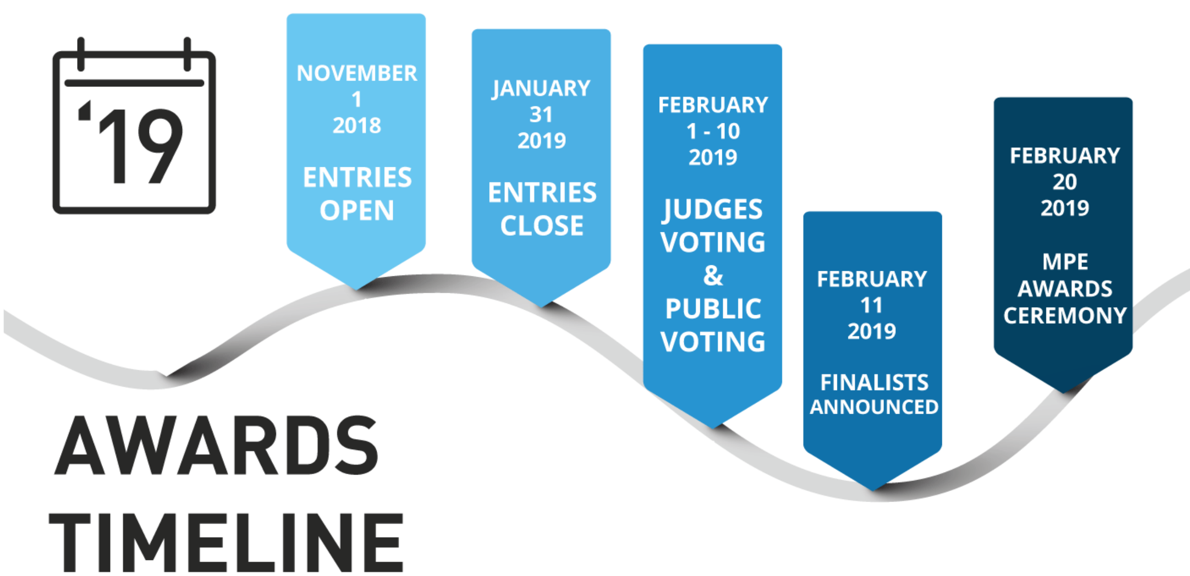
BEST MERCHANT PAYMENTS PARTNERSHIP AWARD

BEST DATA ANALYTICS & SCIENCE AWARD

BEST START-UP INNOVATION AWARD

NEW CATEGORY IN 2019, FOR MERCHANTS ONLY!:

BEST MERCHANT PAYMENT IMPLEMENTATION/ PROCESS AWARD



Visit www.merchantpaymentsecosystem.com for more information,

or download MPE Awards brochure HERE

Industry NEWS

selection of merchant payments' industry

May, 2018

Popular e-commerce platform providers Big Commerce and Magento each made major announcements late last week. New York City-based Magento said it has integrated with Swedish online payments company Klarna, enabling merchants to offer consumers more flexible online payment options. Klarna, which gained popularity in Europe as an alternative that enabled online payments from a bank account using only a postal code or email address to authenticate shoppers, has expanded into the U.S. mostly with.

Source: [Cardnotpresent]

May, 2018

Breaking down Borders: Elavon Partners with PPRO Group to Boost Global Cross-Border eCommerce. Elavon, a global payments provider and PPRO Group, a cross-border e-payment specialist, today announced a partnership to offer international alternative payment methods (APMs) to Elavon's customers across Europe to expand their global reach.

The partnership with PPRO strengthens Elavon's existing European acquiring proposition, allowing its customers' shoppers to choose their preferred local payment method when shopping online including direct debit, bank transfers, cash-based e-payments, and e-wallets. Elavon provides a single integration and customer service experience for both domestic and international payments processing. Elavon's customers will now be able to add more than 50 preferred local and international payment methods to ensure they get the best transaction conversion rates..

Source: [PPRO]

May, 2018

Troves of customer data can be extracted from point-of-sale terminals and can guide restaurants in tracking what you have previously ordered, how much you have spent, or how long you dined at the table. Start-up Salido builds and sells POS hardware and software. It has fielded interest from First Data, although the talks were previously unreported.

Source: [CNBC]

May , 2018

Mobile boarding passes and event tickets are coming to Google Pay, the web giant announced on Tuesday. Put simply, this means you can just show the ticket on your smartphone when you arrive at the gate or venue, rather than giving yourself a full-body pat-down as you desperately try to recall which pocket you you put the paper ticket in. If you haven't lost it, that is.

Source: [Digital Trends]

August, 2018

Visa (NYSE: V) today announced an investment and partnership with Israeli start-up, Behalf, to support small business growth through easy-to-access capital and financing. Behalf provides working capital solutions for small businesses and flexible financing for business purchases. As part of Visa's investment in Behalf, Visa will offer Behalf's small-business clients a tokenized Visa Virtual Card, a credit-based payment solution that gives businesses instant financing for their business purchases. The Visa Virtual Card will initially be offered in the United States, with a plan to expand to other markets in the coming months.
This partnership supports Visa's global strategy to extend its products and capabilities to small businesses through collaborations with start-ups and FinTechs that help redefine and enhance the payments experience. It is also part of Visa's commitment to invest up to $100M in FinTechs, as announced in June 2018, by Visa's CEO, Europe, Charlotte Hogg.

Source: [Visa]

October, 2018

Secure Trading, an international Payment Service Provider (PSP) and PPRO Group, a cross-border e-payment specialist, both headquartered in London, today announced a partnership to bring over 18 European alternative payment methods (APMs) to Secure Trading's international merchant base. The partnership will help to expand merchants' customer reach across Europe, with plans to add additional APMs from across Latin America in the future. Conversion rates for a European-wide customer base are currently low for those that do not offer an appropriate mix of APMs preferred by the European market in general, but also each individual country. Through this partnership, and PPRO Group's cross-border payments solutions, Secure Trading's merchants looking to expand into Europe will be able to leverage the revenue streams within the European market. Secure Trading will be able to provide its merchants with access to established European payment methods, including Bancontact, giropay, SOFORT, iDEAL, MyBank and SafetyPay.

Source: PPRO

October, 2018

First Data (NYSE:FDC), a global leader in commerce enabling technology, and BlueSnap, a payments technology provider, today announced a partnership to combine the power of BlueSnap's All-in-one Payment Platform with the suite of global and local payments solutions offered by First Data. The partnership will also provide BlueSnap with access to First Data's distribution partners, including some of the world's largest banks, with First Data serving as BlueSnap's primary provider for all acquiring, processing, and settlement of payment card transaction and related services. As part of the agreement, First Data and BlueSnap will work together to introduce BlueSnap's ecommerce services to First Data's bank and distribution partners, providing its clients with the innovative tools that are necessary to match the expectations of an evolving global economy.

Source: FirstData

October , 2018

Verifone is excited to introduce EZ-Receipt, a software cloud-based technology that seamlessly generates an electronic receipt at the pump, creating a fast and simple pay-and-go payment experience. Additionally, EZ-Receipt reduces merchant operating costs and paper waste, as well as inconvenience associated with maintaining trouble-prone gas pump printers.

How it works: For merchants equipped with Verifone's Commander Site Controller, customers simply enroll in EZ-Receipt at the gas pump or on the in-store PIN pad. After entering a 10-digit mobile phone number, the customer receives a text message confirming program enrollment. At the next pay at the pump or in-store purchase visit, a customer uses the same payment card on the PIN pad or pump dispenser card reader and automatically receives a digital receipt via text or email.

Source: Verifone

October, 2018

Retailers and Payments Service Providers Support Security Measures in Tokenization and Authentication Purchase. Shopping, buying train tickets or hailing a cab online help make the everyday easier. In this digital age where more than half of online shoppers save their credit card info on multiple online sites and the industry average for online checkout is ten minutes, there's still room for improvement. Today, Mastercard introduces Digital Commerce Solutions a suite of offerings that enhance the security of stored card credentials, advance authentication to reduce checkout errors and speed the online checkout experience.Mastercard today announced it will enable token services on all cards by 2020 to make online transactions simple, seamless and secure. With token services, consumers can store their card credentials with a merchant or retailer without the risk of exposing actual card account details, adding another layer of security to online transactions without removing the convenience. It also prevents service disruptions with a consumer's favorite merchants by automatically updating card credentials should a card expire or need replacement.

Source: Mastercard

Unlocking Global Growth Potential: New Data from PPRO Group Reveals Massive Opportunity for U.S. e-commerce Offering Local Payment Methods Across the World

ATLANTA, October 16, 2018 – In partnership with Edgar, Dunn & Company (EDC), PPRO Group, a global cross-border e-payment specialist, today released exclusive data affirming that while the U.S. is a world leader in e-commerce, U.S. based merchants still lag behind other countries across the world when it comes to embracing cross-border e-commerce. With the U.S. remaining a global leading commercial nation, PPRO's recent research also affirms why America has strong advantages in a global marketplace and how merchants can leverage them.

Titled "Is U.S. e-commerce ready to take on the world? ", the white paper reveals U.S.-based online merchants are far behind with taking advantage of global e-commerce growth because most are not offering enough or any local payment methods (LPMs, also known as Alternative Payment Methods or APMs) to international markets. LPMs, defined as those payment methods outside of traditional credit card brands such as Visa and Mastercard that facilitate the needs of different geographies, cultures and domestic economies. By 2021 only 15 percent of global online payments will be done by credit card, an indication that LPMs are rapidly becoming a primary means when paying for online goods beyond local borders.

While a little over a third of American merchants sell across borders, PPRO's recent findings confirm that this is comparatively low to other major markets around the world. Across European markets – including Germany, France and the UK – almost half of online merchants sell cross-border. The potential boost of the U.S. cross-border e-commerce growth is exponential, with PPRO's data showing that by 2021 cross-border sales will likely account for more than 17 percent of all United States e-commerce.

PPRO
the payment professionals

"The U.S. is a world leader in e-commerce, with merchants enjoying astonishing success in encouraging consumers to change their shopping habits to buy online rather than in-store. But U.S. merchants are significantly less likely to sell cross-border than competitors from other major markets," said Steve Villegas, Vice President of Partner Management at PPRO Group. "With the lion's share of e-commerce growth now coming from markets outside the U.S., that has to change. Now is the time for American e-commerce to go global. "

By: Alexander Langenmaier,
Manager PR & Marketing, PPRO Group
Source: PPRO

The Future of Checkout Lanes

At a recent Verifone Client Advisory Council meeting, attended by senior executives from large department stores, specialty retail, QSR, hospitality, travel and retail bank branches, we had a conversation about the consumer experience that they want to achieve in the next 2-3 years. Some of the things mentioned by most attendees included replacing their current POS solution, changing the store and front-end layout, and increases in the use of both self-service kiosks and mobile POS. We heard about CMOs that want to eliminate the front-end entirely and use the space for merchandising, and those that wanted to eliminate the front-end clutter. But primarily we heard that large merchants want to improve the consumer experience, better recognize and reward their best customers and focus on making it easier to do business with them.

Since Clarence Saunders, the founder of the Piggly Wiggly grocery stores, opened the first self-service grocery store 102 years ago, the consumer shopping experience hasn't changed much. We still wander the aisles and select the items we want, then queue up in lines at the front of the store to wait for a cashier to ring up our items so we can pay and check out. Little has changed in the past century.

Yes, some retailers offer consumers a self-checkout experience, but often in busy stores you still need to queue up for the opportunity to scan the items you want to buy. And these self-checkout counters are still at the front of the store.

Oh, and studies have shown that the fraud rate doubles when consumers use self-check-out. In a study of retailers in the United States, Britain and other European countries, professor Adrian Beck and Matt Hopkins of the University of Leicester in England said the use of self-service lanes and smartphone apps to make purchases generated a loss rate of nearly 4 percent, more than double the average.

Other merchants have offered consumers the ability to scan items with a mobile phone app while they shop. I remember Stop & Shop in New England doing this with a dedicated device more than a decade ago. Today some retailers support this on their mobile app, but there are also retailers that piloted this and are now backing away from it. Walmart customers can no longer use their smartphones to pay for their order and skip the checkout line. Despite a successful rollout across its Sam's Club warehouse chain, Walmart is discontinuing is Scan & Go mobile checkout app. The deciding factor was that too many customers found the process too cumbersome, especially when it came to bagging, weighing and then scanning items, including fresh fruit and vegetables, according to Bloomberg.

Other merchants have dabbled in mPOS, but few have embraced it totally and replaced their entire front-end with mPOS in their stores.

Is the fancy hyper-tech Amazon Go store the way of the future? Using an app along with cameras, sensors and AI to track each consumer's movements and items in their basket, and then the payment is magically processed when they leave the store. After a year-long employee only pilot in Seattle, Amazon opened the store to the public earlier this year and has plans to open a half a dozen more in 2018.

In addition to Amazon, there are now a number of technology firms developing cashierless technology solutions, and several retailers are reportedly looking closely at the technology and the benefits it could bring to their stores.

Technology firms developing cashierless solutions include Standard Cognition , a Palo Alto start-up that is using its artificial intelligence technology with advanced cameras to eliminate the check-out. A Santa Clara startup called AiFi announced its checkout-free solution for retailers. But unlike Amazon Go, AiFi claims its AI, sensor and camera network-based system can scale from a small mom-and-pop shop all the way up to a big retailer with tens of thousands of square feet and a hundred thousand products.

Walmart is reportedly in talks to install Microsoft's cashier-free technology at its stores. Shoppers would scan their smartphones upon entering a store, sensors would detect items being removed from shelves, and cameras would track the items in the shopping cart. Shoppers' accounts would be charged once they left the store.

Albertsons unveiled its plans for a cashierless store during a recent analyst presentation. Initially they plan to only support their Plated meal kit line. This would speed delivery for the prepared meal purchases.

What do you think? Are cashierless stores in your future?

By: Jeff Wakefield, VP Sales Enablement, Verifone
Source: Verifone

Alternative payments outnumber traditional payment methods in APAC e-commerce market, finds GlobalData

Alternative payment methods such as mobile and digital wallets are steadily displacing traditional payment methods such as cards, bank transfers and cash/cheques in the Asia-Pacific (APAC) e-commerce market, finds leading data and analytics company GlobalData.

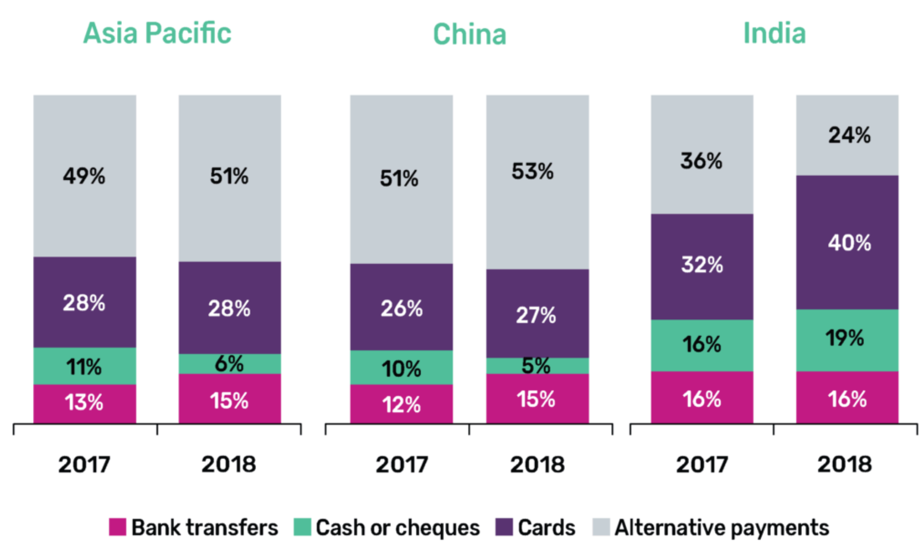
The company forecasts the APAC e-commerce market to grow from $1.6 trillion in 2018 to $2.3 trillion in 2022. According to the latest Consumer Payments Insight Survey by GlobalData, alternative payments grew from 49% in Q1 2017 to account for 51% of the total e-commerce transaction value in APAC in Q1 2018. At the same time, payment cards, bank transfers, and cash/cheques accounted for 28%, 15%, and 6% respectively.

Ravi Sharma, Senior Payments Analyst at GlobalData, commented: "Adoption of alternative payments in the APAC region has occurred well ahead of that in the West. Asia's card infrastructure and payment behavior are not well entrenched and therefore alternative payment tools offer a welcome substitute to cash. Rising smartphone penetration coupled with a large unbanked population has also turned the region into a potential growth market for alternative payments."

The alternative payments market in APAC is mainly driven by China, where alternative payment solutions accounted for 53% of the total e-commerce transaction value in Q1 2018. Alipay remains the most popular tool overall with a 41% share, followed by WeChat Pay with 7.1%. Tencent, which owns the Tenpay brand, introduced WeChat Pay to leverage the popularity of its social media app WeChat, which has a huge customer base of around one billion. Similarly, alternative payment tools account for nearly one third of the total e-commerce transaction value in Australia in Q1 2018, with PayPal being the preferred solution with a share of 15.9%.

E-commerce transaction value breakdown by payment tools (%), Q1 2017 and Q1 2018

GlobalData.



Source: GlobalData's Consumer Payments Insight Survey, 2018 and 2017

In India, the major push towards electronic payments came from the government with the demonetization initiative implemented in November 2016 displacing cash to a large extent in favor of alternative payments in 2017. The share of alternative solutions, however, declined in 2018 partially as a result of the cash supply restoring to normalcy and the central bank's regulation regarding stricter KYC procedures for digital wallet users.

"With Asian consumers keen to embrace digital payments, rising smartphone penetration and launch of new digital payment solutions are expected to further propel the growth of alternative payments in the region's e-commerce market," concludes Sharma.

Source: GlobalData

Acquiring section

Acquiring industry sellout opens space for new and agile players

Acquiring Industry Sellout

We are witnessing an acquiring industry sellout. Vantiv bought Worldpay, Bain/Advent bought Concardis, SIX Payments will be sold this summer, etc. Huge companies buy big companies and get even bigger. As acquiring is an "economy of scale" business it looks like this makes sense. More transactions and customers equal more profit.

But what happens behind the scenes? Can they really bundle services and get more profit? Can they activate synergies and boost revenue? I have some doubts and I want to share them with you.

Legacy Burden

The acquiring industry evolved in the 90-ies and card acceptance started its success story. Companies built their acquiring infrastructure and signed up customers very successfully. The business grew and the internet came. With continued growth and the internet, acquirers needed more technology. Therefore, new technology companies where born. They sold their technology to the acquiring industry.

Today, 30 years later, an average acquirer has over ten different systems. Those systems were built in different time periods and with different technologies. In addition, these systems are usually incompatible to each other. Hundreds of interfaces and middle ware layers connect those systems and keep the whole thing from breaking.

Now, what happens if an average acquirer buys an other average acquirer? They end up with 10 additional and incompatible systems that need to be integrated. This in turn requires even more interfaces and middle ware. Because of the huge complexity of such an integration, the different systems will most of the time be kept separate. Only the company name and the marketing departments are merged. Some times not even that. Bambora belongs to Ingenico, but still is Bambora. Worldpay belongs to Vantiv, but still is Worldpay. At least Paylife, who was taken over by Six, became Six Austria. The only benefit of such a merger is to increase volume and size.

However, the failure of merging the acquiring systems has one problem: There is no synergy from a technical point of view. Therefore, there are no benefits from an economy of scale perspective.

Space for Agile Players

I would bet my money on new, technology focused payment companies like Adyen, Stripe and so forth. Many of these companies become acquirers these days. They have new and exciting technology platforms which are built from scratch. And those companies are growing super fast.

Acquiring is a technology service. Therefore, these companies can serve their customers better. I predict that they will get many more merchants from huge acquirers who are fighting with their technology.

I strongly believe that there will be more Adyen-like companies evolving. It just makes sense to compete with dinosaurs. They don't move very fast.

My advice for the established acquiring industry:
Instead of spending all the money on mergers and acquisitions, invest in technology. Save yourself from becoming a dinosaur.
Or the other way around: It makes sense to invest in technology, so that your technology allows merging with other companies easily. Unfortunately, this is not the case very often.

By: Daniel Eckstein, CEO and Founder, Abrantix
Source: Abrantix

Open API in payments section

Open APIs Are Driving Uberization of Payment Services in Europe

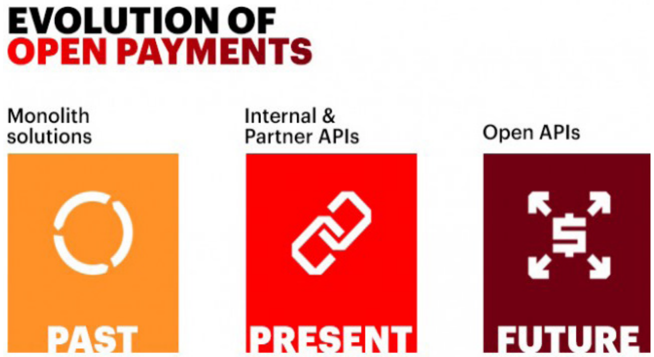
Across the payments industry, a global migration to payment services based on Open Application Programming Interfaces (APIs) is coming. A new dawn for the financial industry is fast approaching with the advent of the Open API economy.

It is evident that the momentum towards Open APIs is now irreversible, given the steady flow of new immediate payments schemes, the European Revised Payment Services Directive (PSD2) or the rise of fintech service providers. The increased use of Open APIs is enabling both retail and corporate banks to better respond to the growing demands of their customers. At the same time, regulators and legislators are looking to drive a better deal for customers by generating more competition, innovation, customer information sharing, transaction initiation, and payment mechanisms.

Monolithic Legacy Solutions Are Transitioning to an API-Based Ecosystem
The payments industry, in general, has been cautious implementing open solutions given its reliance on security and privacy. Traditionally, banks have built, owned and controlled the channels and applications through which customers access their payments services – be they a retail customer checking their balance online or undertaking a mobile transfer, or a corporation processing their payroll. Consequently, payments were inherently processed via monolithic point-to-point solutions, resulting in high processing cost and severely restricting the number of use cases.

Today, the market is largely characterized by payment providers using internal APIs that were built to support a move to SOA (service-oriented architecture) based payment platforms and a handful of new age players collaborating through partner based APIs. These developments have been supported by payments standardization like SEPA (Single Euro Payment Area) and common protocols like ISO20022.

While these initiatives are indeed a clear advancement from the past, the semi-open payment landscape limits innovation and does not allow providers to leverage the capabilities of specialized providers. Thus, business models of the incumbent players today rely either on internal capabilities (which are still offered by legacy backends) or selected custom-made partnership arrangements (which are difficult to realize and execute).



Given these challenges, payment providers are now looking for new value realization mechanisms. At the same time, regulatory forces, like the Revised Payment Services Directive (PSD2) and the ongoing move to real-time service experience, are driving the development of payment services based on open sharing of capabilities among partners. Product stacks based on custom-made partnerships is gradually morphing into business ecosystems where participants freely use other network members' capabilities – thereby allowing greater specialization and tailored services for customers and merchants.

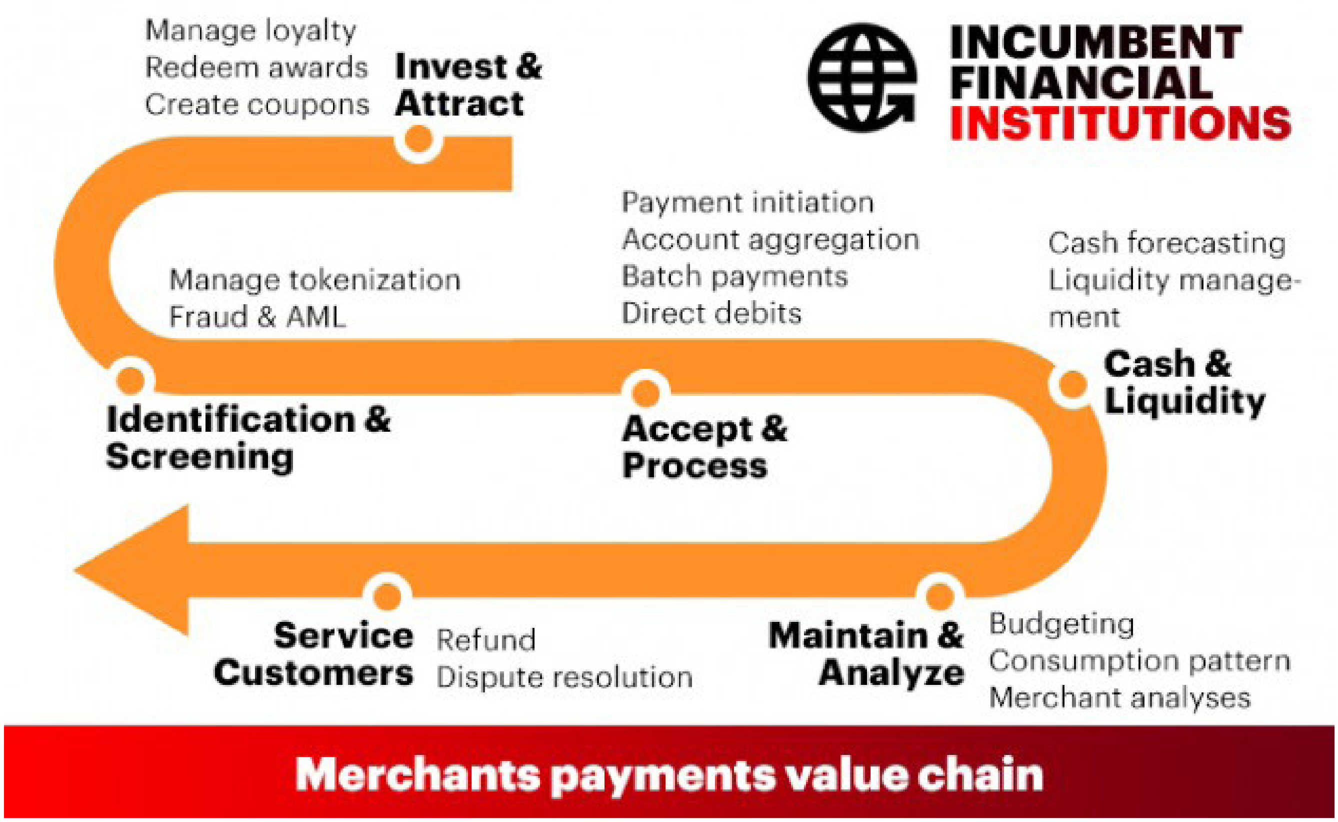
While these dynamics are still unraveling, this evolution will gradually lead to a payment landscape where any accredited service provider can access any account to perform any standard service via an API; and payments will transition from a restricted industry to one being completely open.

Leading Market Players Leverage Open APIs to Expand Across the Payments Value Chain

This ongoing move towards Open APIs among the European payment players has been a gradual process. The pioneers in this direction were the French lender Credit Agricole and Spanish banking giant BBVA. Both the banks offered third-parties access to its Open APIs and allowed them to leverage on core bank functionalities to develop financial apps, innovate new business models or simply improve user experience.

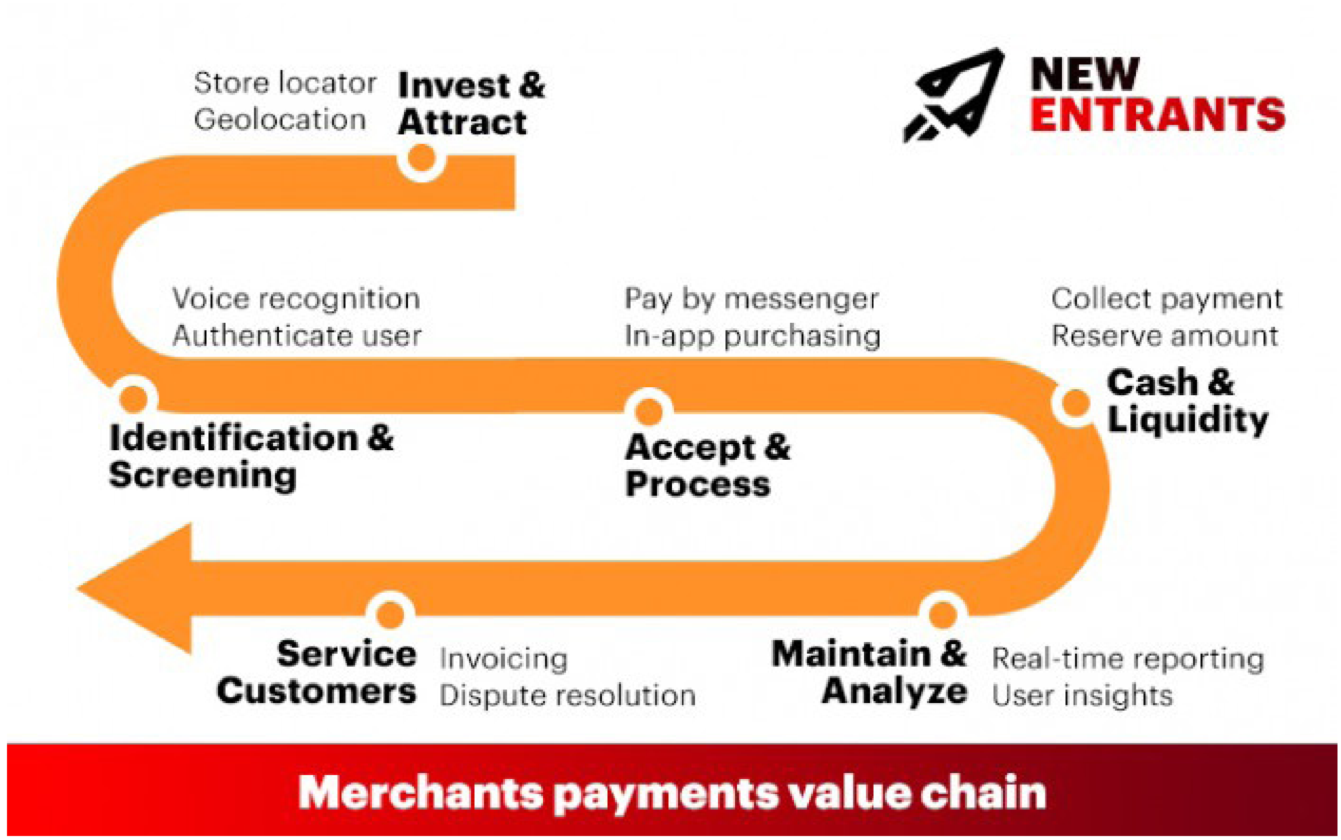
An early manifestation of the benefits of open APIs for BBVA's customers is the bank's partnership with the FinTech company Dwolla to offer real-time payments to BBVA users. While these initiatives qualified the possibilities for increased innovation, in recent times we see a clear move among European payments players to expand their value chain positioning through Open APIs.

This is partly driven by the demand in the market. Consumers increasingly prefer loyalty, personal finance management integrated with payments wallets; while



merchants prefer payment acceptance to be bundled with accounting, financing and analytics capabilities. At the same time, supply-side factors – challenger banks (e.g. Fidor, Bunq, Starling) and specialized fintechs (e.g. Transfer Wise, Funding Circle) offering API based capabilities – are supporting this evolution to integrated offerings.

Consequently, payment players are moving away a model where they would only deliver their core competencies (e.g. 'Accept and Process' payments), making credible attempts to enter a symbiotic relationship with other players to increase their breadth of offerings ('Invest & Attract', 'Identification & Screening', 'Maintain & Analyze').



For instance, European card issuers have started using a VISA product API to offer "card control" features to customers so that they can set spending controls, receive alerts, and turn their accounts on and off. At the same time, challenger banks like Starling bank (UK), N26 (Germany) are making use of fintech APIs (like that of Transfer Wise) to enable convenient cross-border transactions from their mobile apps. Starling bank, for example, has recently launched a marketplace platform where fintechs can access the Starling APIs as well as publish their own APIs for other to use. Rewards and receipt platform Flux has become the first fintech to directly integrate with the Starling marketplace, allowing Starling customers to get itemized billings and automated loyalty points from partner merchants.

Dutch private bank Van Lanschot is using Fidor OS platform (built using Open APIs) to offer a range of payment services: an innovative and modern mobile payment app, on-us real-time payments, multiple accounts in multiple currencies, global money transfers, P2P transfers in addition to special services for the Dutch market such as iDEAL payments.

Open APIs Are the Digital Glue of Platform Economy – 'Uberization'

In a way, similar to how Uber has created a market capitalization of billions of dollars (estimated at USD 70bn currently) in the car transportation business – without owning cars and carrying stock, new entrants are entering the payments business without providing payments account or liquidity. Therefore, the rise of this Open API economy is also acting as a catalyst for non-traditional players to venture into the payments market.

Technology giants (like Google, Amazon, Facebook), retailers (like Tesco, Carrefour, Starbucks) and telecom operators (like Orange, Vodafone, T Mobile) are increasingly encroaching on the payments value chain by offering competing financial services (payment wallet, tokenization, reporting, invoicing) using Open APIs. This encroachment is further enabling these players to augment their own customer data with the payment information available via Open APIs and thereby expand their service offering and share of wallet with customers.

The next step of an Open API economy for banks is to become an open platform that fosters a wider ecosystem of third parties – like fintech and retail partners. A digital ecosystem is a constellation of products, organizations and people that are aggregated on a digital platform. For example, Fidor Bank offers an open digital banking platform has designed its services to be implemented behind APIs which enables developers to white-label the bank's operations. It also uses third-party APIs to facilitate services the bank had no desire to provide directly. Developers are merely required to build the interface – for which Fidor offers a set of templates as well. Another example in the financial services industry is the Solarisbank, which offers a white label banking platform for both financial services organizations (e.g., banqup and Cashlink) and non-banks (AutoScout24).

Open banking is currently finding its way to Dutch banks and financial organizations, which are starting to introduce their own APIs. ABN AMRO's application Gradefix is a good example of an Open Banking initiative, which makes risk assessments based on payment data. Consumers and SMEs submit the data themselves for analysis and receive a complete summary of their financial situation. The consumer or SME decides whether or not to share the information with third parties. Even though Gradefix has been discontinued by ABN AMRO, the insights from this pilot have been used to develop a new SME digital proposition New10. Dutch digital-only banking start-up, Bunq, expanded beyond its native Dutch market to Austria and Germany with the launch of its open API. "Developers can integrate Bunq's real-time payment system into their own apps," the banks state. Bunq aims to be the Whatsapp of the banking world – quick to set up, easy to use, real-time and fully mobile.

Effectively designed ecosystems create value for all partners involved, including the bank, developers and customers. Firstly, banks can act more independently – creating their own products and services, making them available on their platform, and finding the customers for these services. Secondly, banks can drive to support open innovation with third parties – partner with a number of providers to create new products and services within a collaborative ecosystem. Platform models like Fidor and solarisBank – players using product capabilities and distribution of third parties – will eventually lead to 'Uberization' of payments.

By: Arnab Sinha & Paul Weiss, Management Consultants,
Accenture's Management Consulting
Source: Accenture

Inside the Klarna/Modo deal: how to deliver fast and flexible payments

In 2016, Modo and Klarna announced their partnership to speed up time for merchants to integrate Klarna into their systems. Klarna referred to the project as "instant integration" because Modo's technology allowed for merchants to use Klarna much faster that previously able. It's been two years since the announcement of the partnership, and PaymentEye spoke with Brian Billingsley, Chief Revenue Officer at Modo, and Francesco Panssone, Director of Global Solutions at Klarna. Read the full interview below.
The payments space is heating up.

As the open banking initiative facilitates a monumental shift, new market participants are looking to disrupt in entirely new ways.

While the US and European payments landscape is awash with sexy consumer-facing paytech, few of those participants are paying attention to the vital work of the underlying plumbing – the critical key to any long-term success in the industry.

Having recently received an equity stake from Deutsche Bank, Modo fits the payments plumbing bill.

PaymentEye reached out to Modo, specialists in payment system interoperability, about their recent partnership with Klarna, the e-merchant platform.

PaymentEye sat down with Francesco Passone, director of global solutions at Klarna and Brian Billingsley, chief revenue officer at Modo, to talk about the long-term ambition of the partnership as well as how they saw the industry shaping up for 2019.

Particularly in the US, what are the current pain points trying marry numerous payments systems?

Modo: For banks, especially on the corporate side, they are being asked by their business clients to add new methods of payment for the bank's customers consumers to receive funds (insurance payout for example). When these payment methods are international, it becomes more complex with FX and KYC issues.

Modo enables the bank to execute on current strategies while future-proofing their technical investment. When the next coolest wallet is created and scales quickly in three years, the bank can add it as an endpoint in a matter of weeks instead of changing their whole roadmap.

From a merchant perspective, there are great payment methods like Klarna that offer consumers more spending power and offer a great checkout experience, but the backend integration is real work. Modo enables merchants to turn on payment methods like Klarna in a much faster way.

What does fast and flexible payments connection look like to you? Why is fast and flexible important for an eCommerce company?

Klarna: The payments space is evolving at the speed of light and it is of paramount important for eCommerce merchants (but also for more traditional brick-and-mortar stores) to quickly adapt to new trends in their existing markets as well as to launch new geographies with the relevant set of payment solutions for a specific market. Having a localised payment strategy is key to deliver a good customer experience and maximise conversion. A flexible payment connection should allow merchants to perform the above at a fast pace and with the minimum implementation effort. To keep the pace of the market trends, these cycles would need to become faster and faster targeting days, rather than not weeks or months.

What sort of partnership is this?

Klarna: It is a long-lasting partnership that has it roots in the way that we jointly solved some technical challenges to come up with a proposition to offer an easier way to integrate Klarna's products and services. Starting as a technical enabler few years back, Modo has become is a trusted partner in a broader sense. Our teams have continuous and open conversations on multiple levels, may those be new ideas or lessons learned on the field when interacting with merchants.

Modo: Klarna and Modo have a truly symbiotic relationship. Klarna leverages Modo's interoperability platform for faster speed-to-market benefits. Modo powers important technical payments connections allowing Klarna to focus on the amazing customer experience and building out the next-gen global bank. Modo is bank grade security cloud based infrastructure for payments data – Klarna is a great consumer brand and the smoooth way-to-pay.

How exactly are you using Modo?

Klarna: We leverage Modo's capabilities in terms of interoperability and "plumbing" to offer our merchants world-wide a faster way to integrate our products and services. By resolving quite some complexity "behind the scenes", Modo helps us reducing the friction of a lengthy and complicated technical integration whenever possible. Releasing merchants from this burden is a huge value add for them as integrating payment solutions isn't "sexy" and ultimately you would like to do it once and be future proof.

What exactly is a digital payments hub and why is there an appetite for such a product?

Modo: A digital payments hub could mean many things to many people – but for Modo a digital payments hub means that we enable our customers to connect to many various processors, acquirers, and alternative payment methods with one technical integration to Modo, and not have to build out separate integrations and workflows for each payments partner. As Modo is pure technology, we give our partners a cost-effective utility that allows them to plug into any payment system they need to and focus on their core business.

What especially stands out about the company?

Klarna: People. They have an "A Team" of brilliant, tech-savvy and business-minded professionals who deeply understand the space they operate. Their unique expertise and ability to be at the forefront of the technology makes them a rare breed in the payments ecosystem. In addition, I am truly amazed by the flexibility of the COIN technology and how it can be applied in many different areas creating unique propositions for the different actors in the industry, may those be partners or merchants.

What is an industry standard transaction exception rate and how does Modo achieve this?

Modo: Modo's overall exception rate is lower than 0.05% lifetime to date, and is trending down very quickly. We accomplish this by breaking down any payments type into a simple single data structure (a canonical form) controlled by a series of state machines that gives our partners a real-time look down to the individual transaction level across all ledgers in the transaction. This enables us to automate a large % of issues in payments.

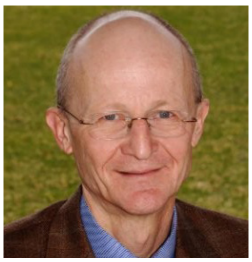
What trends are we seeing in the payment landscape in the latter half of 2018?

Modo: Instant payments in Europe. The effort made to create a pan-European real-time scheme from a very fragmented payment ecosystem has been remarkable. Now that more and more banks are rolling out these services, this is really impacting daily of hundreds of millions of European citizens, which is fantastic to observe.

Klarna: Banks are seeing more of a need to connect to fintech players/competitors like Klarna, PayPal, AliPay, etc. FANGS and other global companies have much higher demands from their corporate banking providers when it comes to payment and disbursement options for their customers. Consumers expect to be able to initiate a payment and have the recipient just receive the funds. Real-time payments is gaining traction from a US perspective.

Source: [Paymenteye]

EU should help payments markets work better



Payments undergird every aspect of economic life. In the EU in 2016 there were 59.6 billion card payments, 30.6 billion credit transfers and 24.8 billion debit transfers. Sometimes however, structural problems or imperfections impede payments markets' performance, thereby hurt the economy, harm consumers and warrant government intervention.

Dynamic Currency Conversion (DCC) is a glaring example. DCC enables travelers abroad using a credit or debit card to pay in their familiar home rather than the local currency. With DCC payment processors and merchants mark up the exchange rate, typically 400 to 500 basis points, but often considerably more. The Brussels-based consumer-advocacy organization BEUC reported DCC transactions at ATMs in non-euro EU countries were from 2.6% to 12% more costly than if they'd been made in local currencies.
DCC use in the EU is exploding. Between 2013 and 2017 the number and value of DCC transactions within the EU increased by a whopping 128% and 65% respectively. During the same period the average EU DCC transaction value declined from €128 to €85 reflecting more widespread adoption.

The European Commission is the only regulator on the planet interested in cleaning up DCC. Regulators elsewhere haven't been interested because it's foreigners being fleeced and national merchants, ATM owners and processors profiting. The supranational EU, however, has eleven currencies, and millions of consumers under its jurisdiction gouged every year by DCC.

The EC wants a market fix. In March, 2018 it proposed better disclosure of payment-card foreign-exchange fees, and, additionally, that charges on intra-EU cross-border euro and domestic non-euro payments be equalized.
Brussels' interventions to improve payments markets and further economic integration haven't always been market-oriented. Payment Services Directive 2 mandated banks provide payments for free. PSD2 also imposes Brussels' rules for managing risk and determination of acceptable fraud levels over the dynamic determinations of issuers,

networks, processors and merchants at risk, of those with skin in the game. In 2015 the EU imposed price controls on networks like Cartes Bancaires', Mastercard's and Visa's interchange fees. And, the Commission's March, 2018 proposal would temporarily cap DCC fees and require prices for cross-border euro and non-euro domestic payments be identical.

In contrast, other regulators' and policymakers' interventions have often been discrete, one-time fixes improving market performance. UK banks owned the monopoly interbank-payment-processing utility Vocalink. The UK Payments Systems Regulator pressured banks to divest it and required they put processing out to bid, its thinking being competition – particularly if banks didn't own their processor, would improve performance. In the US Mastercard and Visa prohibited banks using their payment products using American Express and Discover. The US Department of Justice forced Mastercard and Visa to eliminate their competition-suppressing bans. And, the landmark 2010 Dodd-Frank Act required banks offer US merchants debit-routing choice between at least two networks. These interventions tweaked rules and market structure to boost competition.

In a similar spirit, the EC's proposal for enhanced disclosure of payment-card foreign-exchange costs is unambiguously pro-market and pro-consumer, and long overdue. The Commission's proposal the European Banking Authority cap DCC fees before more robust disclosure requirements take effect, however, isn't so pro-market. The European Parliament's Committee on Economic and Monetary Affairs while vigorously endorsing enhanced foreign-exchange-fee disclosures, opposes the DCC price cap, rightly noting it "goes against the core Union principles of market economy and free competition as it constitutes in its nature a price regulation." In payments the EU has too often ignored these principles.

The nub of the market problem is significant information asymmetries at the time of payment between consumers, and merchants and ATM owners offering DCC. With their issuing banks cardholders have relationships, fee disclosures, and time to make considered decisions. At a hotel, restaurant or car-rental agency abroad however, cardholders are faced with a one-off decision to pay in their home or the local currency. DCC preys on their natural instinct, absent knowing each option's cost, to pay in their familiar native currency.

If cardholders pay in the merchant's currency, networks perform the currency conversion at close to the wholesale rate. Cardholders pay their bank issuer's markup if any. For its Freedom Rewards Visa credit card Barclays charges a 2.99% fee for nonsterling transactions. However, cardholders have choices. Clydesdale's B Mastercard credit card charges no foreign-exchange fees. Santander's Zero Mastercard credit card similarly has no foreign-exchange fees. Most US issuers charge cross-border rather than foreign-exchange fees to avoid DCC disintermediation. As a result of the 2006 settlement of a law suit, US issuers' foreign-exchange and cross-border fees are robustly disclosed enabling market competition to work its magic. There are consequently plenty of credit cards with no cross-border fees.

On the other side of the network however, the market isn't working. Current DCC competition systemically harms consumers. DCC's enormously profitable for merchants and payment processors. The temptation to fleece one-time customers who will be none-the-wiser is almost irresistible for many merchants and ATM owners. Consumers don't know they're being ripped off. Processors not offering DCC would be competitively disadvantaged and forego profits. Merchants not offering it leave money on the table.

The fix is straightforward. American Supreme Court Justice Louis Brandeis observed, "Sunlight is the best disinfectant." The European Parliament Committee on Economic and Monetary Affairs proposes all currency-conversion options be presented "simultaneously and in a clear and neutral manner to payment service users" and that there be no DCC preselection. Once merchants and ATMs offering DCC upfront fully disclose side-by-side the cardholders' payment alternatives' costs, the market will work.

Disclosing DCC costs above the ECB's reference exchange rate isn't complicated. For the local-currency option, if the issuer isn't charging additional fees, the incremental cost would be the difference between the payment scheme's and the ECB's reference rates, which should be minimal. Where issuers charge additional fees, tables maintained at the network, acquirer and/or issuer could be used to calculate cost disclosures.

Because of competition many issuers have reduced or eliminated cross-border and foreign-exchange fees. Full disclosure at the pos of relevant conversion fees paying in local and cardholder currencies would ratchet up pressure on issuer fees, and, for the first time reward merchants and their processors for reducing DCC fees.

The European Parliament Committee on Economic and Monetary Affairs wants the enhanced DCC-disclosure mandate to take effect 12 rather than 36 months the Commission proposed, after the law takes effect, and doesn't want the EC to outsource rule-making to the EBA. Robust foreign-exchange disclosure as soon as practicable would be best for consumers.

The EC's second notion of equalizing fees for euro payments with domestic non-euro money–transfer fees, at first blush, sounds good for consumers and EU economic integration. Sweden and Romania chose to do so. In practice, however, it's problematic. It would force payment systems with different costs, value and competition, to price the same.

Domestic and cross-border interbank payments in most national markets are monopolies, or, best case, oligopolies. While there's an emerging patchwork of cross-border payment systems, for would-be new entrants building network critical mass, and, therefore, commercial relevance is challenging.

If the EU wants to enhance competition and consumer choice for cross-border payments, it might require every bank offering cross-border euro payments offer consumers and merchants at least two choices. That would spur competition and development of a deeper market, and leave banks and interbank-payments systems free to price and compete as they saw fit.

Bank-owned payment systems likely to be in the mix include dominant global cross-border payments network Swift, French banks' STET, and Italian banks' SIA/SSB. European commercial payment processors Worldline Equens and Nets support national interbank payments and could step up. Mastercard with relationships and real-time connections with most major banks planet-wide and its UK interbank payment processor Vocalink, could also be a compelling player. And, dark horse cryptocurrency Phenom Ripple is trying to build a cross-border payments network to rival Swift.

To improve cross-border payments and payments with currency conversion, the EU should harness market forces.

By: Eric Grover, Principal, Intrepid Ventures

Has PSD2 in the Netherlands failed already?

On the 14th of June, the Minister of Finance updated the Dutch Parliament on the implementation of PSD2 into local law.

The Netherlands, together with 11 other countries have not yet implemented PSD into local law, which had to be done by about 5 months ago already. The Minister didn't give an actual implementation date but he did reveal plans to make additional changes relating to privacy.

So, what's new?
In my opinion, rather than creating the level playing field we expected from the PSD2 vision, the current discussions and concerns raised here in the Netherlands, that are delaying the implementation, only seem to be hurting small FinTechs. Here's why I think this is the case. I'll also put forward a counter-argument to some of the privacy concerns.

Going too far?
Just like PSPs under PSD1 a decade ago, FinTechs that wish to operate as TPP will be able to access transaction data under PSD2. This has resulted in what I believe are unwarranted and exaggerated privacy concerns. That's not to say there are no privacy questions to address; privacy is terribly important. I do believe however that the Netherlands is taking things too far.

Will TPPs become unsupervised cowboys?
Far from it! Like banks and PSPs, TPPs will become regulated entities with an extremely thorough licence application process. In the Netherlands, both AISP and PISP need to obtain a licence by the Dutch Central Bank. And they certainly won't be handing out these licences to just anybody. The EBA authorisation guidelines show a long list of documents required such as an operations program, business plan, governance arrangements, internal control mechanisms, sensitive payment data process, business continuity plan and security policy. And even if the authorities do grant a licence to a TPP, they will remain under ongoing supervision, just like any other licensed financial institution.

So, why the fuss about privacy?
Banks already have access to our data so why are we making such a big issue of granting certain access to TPPs, if the consumer allows it? Did I mention that these companies will have a license and be subject to ongoing supervision? Ultimately, it's the responsibility of the authorities to weed out any TPPs with bad intentions and to keep them under close supervision. My feeling is; if a TPP is granted a licence by the authorities, they should enjoy the same level of trust as any other regulated company.

Do TPPs need to prove that they're trustworthy?
Some experts argue that banks have earned their reputation for trust, that enables people trust them with their data. But this viewpoint is effectively robbing TPPs of the chance to prove themselves trustworthy. By raising privacy concerns at this stage, we're giving these companies a tarnished reputation before they've even started, which isn't fair. During my panel discussion at the Dutch Payment Association, the COO of Volksbank confirmed that the privacy concerns were raised because of the risk that 10% of TPPs could be misusing data. So why are the other 90% of TPPs being punished? And if that's the logic, why aren't all banks being penalized for the Libor scandal? These 'what ifs" mean that TPPs are staring out on the back foot, fighting back against the industry and the public's bad opinion.

Hang on, are the privacy concerns legitimate?
I'm not denying that there are privacy questions to be answered but let's not allow such concerns to become exaggerated and further delay implementation. Let's look at the concerns one by one:

Concern 1: Facebook
The Minister of Finance has stated that the Facebook data scandal warrants a proper consideration of privacy with the implementation of PSD2. On the contrary, PSD2 is meant to open up the market for smaller players!
Facebook already has an e-money license in Ireland and PSD2 won't change that. Yes, the way Facebook uses data should be addressed but is delaying PSD2 the way to do it? I would actually argue that tech companies moving into the regulatory space may be a good thing. As long as companies stay outside regulatory reach, authorities cannot interfere with their practices.

Concern 2: After banks share data they can't retrieve it
Why would this be necessary? GDPR already requires com-

panies to delete data after services have stopped or when consent is withdrawn. Why do banks have to play a role here? See below my further views on bank's current contributions to the discussions.

Concern 3: TPPs will use data for new service offerings and comparisons

I believe that TPPs using data in this way is what consumers want ultimately as it could make their life a lot easier. It would give people useful information on their purchases, for example whether they could have been cheaper elsewhere. Isn't that what we call progress? I fail to see the issue here, as PSD2 explicitly stipulates that TPPs may not use, process or store the data for any other purpose than the TPP service that has been requested. The consumer will need to consent to the use of his/her data for this purpose anyway. In any case, the authorities can act as gatekeeper, as during the license application process, TPPs must state what ancillary services they are intending to deliver alongside account information services, within the next three years. If they intend to mistreat their data access, this will be flagged up either in their application or during ongoing supervision.

Concern 4: TPPs can determine how long they keep data

Again, there are existing data retention requirements under GDPR. Companies may not keep the data longer than necessary without good reason and data must be removed when consent is withdrawn or upon the consumer's exercise of their 'right to be forgotten.'

Concern 5: TPPs can decide how fast they will respond to complaints

This is not true! PSD2 requires a distinct complaint handling procedure, which is checked as part of the license application. Complaints must be addressed within 15 working days, with a possible extension in some circumstances (but never longer than 35 days). These timelines will need to be followed by all companies that fall under PSD2. The authorities will have to designate an alternative dispute resolution authority to handle consumer complaints.

Concern 6: What if someone transferred money to a person that uses a TPP and they have not provided their consent?

Let's face facts: how many times do you receive money in your bank account from family, friends or other individuals? I've checked my statements and I only received money from another individual on two occasions in three months, so that is 2 out of a hundred transactions or so. All my other transactions are either retail purchases or paying bills (usually more of the latter!). So, are we not exaggerating the amount of data a TPP will have access to without the third party's consent? And if so, what kind of data would they have; a name, a transaction amount and a bank account number. Further, going back to my argument for all regulated entities to be treated fairly, why is it OK for banks to have access to this?

Are Dutch banks trying to be a consumer hero?

Dutch banks seem to have cast themselves in the role of consumer hero, protecting us mere mortals from scary TPPs. They have even discussed facilitating an emergency button to retrieve data, and the Banking Association (NVB) has threatened to initiate legal proceedings against TPPs where needed. They've also come up with the idea of some kind of 'quality mark.' The suggestion is that banks already have a reputation for customer service and duty of care and a quality mark for TPPs will give consumers the same confidence. I don't see any added value in this. Isn't the fact that a TPP has been granted a license already proof that they have been thoroughly vetted by authorities and can be trusted? Isn't this just overstepping the authority of the regulatory supervisors? More importantly, this quality mark could create an unlevelled playing field if one TPP received it and another didn't, even if they both have a licence.

Who should be protecting the public?

Banks are not responsible for protecting the public; that is the duty of the authorities. So let's not assign any of this responsibility to commercial players who are in fact competing with the concerned parties. This will surely only lead to a conflict of interest or self-interest out of fear of loss of customers. Let the judge be the judge.

What do you think? What privacy concerns do you have or have heard about?

Share your thoughts and questions in the comments section and we will try our best to address them.

By: Nadja van der Veer, Co-Founder, Payments Lawyer, PaymentCounsel

Getting ready for **Strong Customer Authentication (SCA)**

SCA is coming
PSD2 came into effect on 13th January 2018 in the European Union (EU), and we are now in a transitionary period lasting till 13th September 2019 when rules regarding the use of Strong Customer Authentication (SCA) will apply. Stakeholders have until then to prepare themselves. Whilst the actual SCA procedure is relatively clear, there remains some unclarity regarding the roles and responsibilities of the different actors in the payment value chain. This article provides a short overview of 'who does what' and based on current understanding as of the end of July 2018. The article sets the scene for follow up articles on SCA including the implications of SCA for the different actors in the payment value chain, and a deeper dive into emerging authentication solutions and technologies.

The SCA rule in a nutshell
From 13th September 2019, all remote electronic payments in the EU will require SCA which is essentially two-factor authentication (2FA). Cash payments are therefore out of scope. As are payments using a physical card at a POS terminal, which are already secured via two-factor authentication (i.e. chip and PIN). The new SCA rules essentially attempt to mirror this level of security for remote payments.

SCA procedure
So the SCA procedure requires at least two factors from two separate categories. These are:

- Knowledge: something a user knows (e.g. secret code)
- Possession: something a user possesses (e.g. smartphone)
- Inherence: something a user is (e.g. fingerprint, voice or facial characteristics)

So a typical compliant procedure might, for example, include a combination of a password (knowledge) and fingerprint (inherence), or a password (knowledge) and one-time passcode (OTP) sent to the user via SMS (knowledge). The rules do not stipulate what the procedure must be, so the market can decide and this also leaves some unclear areas yet to be defined.

In-scope vs. out-of-scope
All customer-initiated transactions are in-scope of SCA rules. In other words, SCA applies to all transactions triggered by customers. However, some transaction types are out-of-scope. These include some merchant-initiated transactions such as direct debit where a contract or an e-mandate agreement has been signed between the payee and the payer. Also out of scope are so-called 'one leg out transactions' where, for example, a US issued card is used online at an EU merchant.

Paradigm change
Under the SCA rules, it is the issuers that are responsible for customer authentication. This is a significant change to the current model. Up to date merchants have been able to decide if they see a need to authenticate their customers via 2FA for a remote payment transaction. The decision is important. Merchants know that 2FA adds friction to their customers' checkout experience and will negatively impact conversion rates. The result is lost business and disgruntled customers. Merchants have heavily invested in streamlining the purchase and payment process to facilitate frictionless customer experience, with 1-click payments for instance. Removing 2FA also has a negative impact on merchants in the form of increased fraud rates. So a trade-off needs to be made. Merchants have developed transaction scoring capabilities to assess the risk associated to each payment transaction and can decide:

- To trigger a strong customer authentication; in this case, merchants benefit from the liability shift and card issuers become liable in case of fraud
- Or to bypass authentication and merchants become liable for fraud.

Being able to accurately assess the impact of 2FA on conversion rates enables merchants to find the optimal trade-off point between fraud and revenue losses. Through application of SCA exemptions, this analysis will remain critical in the SCA environment and will allow for a sound strong authentication strategy.

Exemptions do exist
Merchants through their acquirers can apply for exemp-

tions. These exemptions are as follows. Merchants and payment-related players need to understand if and/or in which cases exemptions can apply.

1. **Contactless payments at POS (Article 11 RTS)** –no SCA is required for contactless payments such as contactless cards as well as contactless payments initiated by wallets. This will contribute to the ongoing adoption and usage of contactless payments in the EU.
2. **Unattended terminals for transport fares and parking fees (Article 12 RTS)** –no SCA is required, reflecting the uniqueness of this transaction category. This creates the base for further developments of open payment regarding transit and electronic transactions for parking payments.
3. **Trusted beneficiaries / Whitelisting (Article 13 RTS)** – this is a simple concept but made more complex due to the lack of available technical solutions for the whitelisting of cards. It is important to remember that whitelisting can only be done by issuers. Neither merchants nor their acquirers can manage whitelists. The concept of whitelisting may be the most promising in the long term as it puts consumers in control of which merchants they trust and where they would like to benefit from a simple or frictionless checkout experience.
4. **Recurring transactions (Article 14 RTS**) – this is possibly the most unclear and contentious exemption. What we definitely know as of July 2018 is that payments initiated by the same merchants, for the same amount, on the same regular date are exempt from SCA. This would, for example, cover magazine subscriptions and video and music streaming services. But as it stands, the rules do not exempt payments initiated by a merchant for variable amounts. These would include mobile phone and utility bills. In these cases, in order to complete a payment, a merchant would probably need to send their customer a 'request to pay' notification which would trigger an SCA procedure. This clearly undermines the convenience factor for recurring payments via card. Given that direct debits are out of scope of SCA, the rules as they stand will most likely negatively impact the use of card to the advantage of direct debits. Many are arguing this is unfair and against the spirit of the PSD2 text. The industry is actively lobbying for the inclusion of variable amounts. Also impacted by this ruling are wallet operators such as PayPal or Lyf Pay in France using cards for funding as are 'Uber-like' transactions. The EBA's recent Opinion Paper, published on 13th June, only partly clarifies the situation. EDC expects the EBA to provide further clarification on this topic during Q3 2018 via the EBA's Q&A tool.
5. **Credit transfers between accounts held by the same person (Article 15 RTS**) – no SCA is required for credit transfers where the payer and the payee are the same person and both accounts are held by the same bank. An example would be transferring funds from a current account to a savings account.
6. **Low-value remote transactions (Article 16 RTS)** – no SCA is required up to €30 threshold but is required after a cumulative total of €150 or 5 cumulative transactions. This exemption has been overall welcomed by the payments industry to facilitate low-value frictionless payments. However, as only issuers know when a threshold applies in terms of number of transactions or transaction value, merchants and payment-related actors may not always exclusively rely on this exemption. EDC has worked closely with actors to better assess the relevance of this exemption based on an analysis of spending patterns and other behavioural data.
7. **Secure corporate payment processes and protocols (Article 17 RTS)** – no SCA is required for corporate payments as long as certain equivalent security thresholds are met. These are unfortunately not set at an EU level, rather each individual EU member state regulator has the right to decide what the equivalence conditions are. Currently, it appears unlikely that, for example, all corporate travel cards will be exempt from SCA. Complying with SCA will not be straightforward in the corporate travel space where authorisations for card payments are often made as a batch and after a booking has been made. EDC expects the EBA to play an important role in harmonising the interpretation of SCA rules by local regulators and ensuring a level playing field is achieved.
8. **Transaction Risk Analysis (TRA) (Article 18 RTS)** – both issuers and acquirers can apply for exemption based on risk scoring but must demonstrate that their aggregate fraud rate – for their whole portfolio and not for a specific merchant or a merchant category – is below a threshold (for transaction values up to €100, the fraud threshold is set at 13bps). It is important to remember that merchants cannot apply this exemption by themselves. Only issuers and acquirers can do so. This is a departure from the current situation where a merchant can decide whether to accept liability for an 'unsecure' e-commerce transaction or secure it by implementing 3D Secure and thereby shifting the liability over to the issuer. As discussed before, this is no longer possible and liability will always sit with either the acquirer or the issuer. However, merchants can agree bilaterally with their acquirer to share liability risk.

Impact on the whole payment value chain

Merchants need to develop SCA strategies that optimise for exemptions. However, SCA is a reality. Even if exemptions are applied in the majority of cases, there will be plenty of situations where a step up to SCA will be required.

SCA may be triggered for customers attempting to a book a high-value flight whilst abroad, or maybe the cumulative total of €150 low-value payments triggers SCA. Hence, SCA will become a reality and all participants in the payments value chain need to determine the optimal SCA procedure for them. This will vary depending on various factors ranging from product or service type, sale channel and their target customer base. Not everyone has a smartphone that supports biometric fingerprinting. So alternative authentication procedures will need to be evaluated.

Future of authentication

Authentication is a fast evolving field and technology is playing a key part. Cards enabled with dynamic CVV are coming to market. Various biometric modalities apart from fingerprints are starting to become commercially viable. These include authentication based on recognition of a user's face, voice, iris scan or others. Then, there is the rapidly emerging field of behavioural authentication which is linked to important concepts such as persistent and adaptive authentication. All of these will be investigated in greater detail in forthcoming articles.

By: Grégoire Toussaint, Principal &
Martin Koderisch, Manager, Edgar, Dunn & Company
Source: Edgar, Dunn & Company

Payment Systems Regulator announces **market review into card-acquiring services**

PSR Payment Systems Regulator

Today, the Payment Systems Regulator (PSR) sets out its plans to carry out a market review into card-acquiring services and has published draft terms of reference for consultation.

Card payments are critical to the smooth running of the UK economy. They are a popular way for consumers to pay merchants for goods and services, and their use is growing. In the UK in 2017, 13.2 billion payments were made by debit card and an additional 3.1 billion payments by credit card. In the same year, for the first time debit cards became the most frequently used payment method.1

For merchants to accept card payments, they need to buy card-acquiring services. The costs merchants incur for such services may ultimately be reflected in the prices they charge and services they offer to their customers.

The PSR is proposing to carry out this market review having taken into account the concerns that have been brought to its attention. The regulator wants to ensure that the supply of card-acquiring services is competitive and works in the interests of merchants, and ultimately consumers.
The draft terms of reference set out the PSR's proposed approach to the market review, which includes looking at:

• the nature and characteristics of card-acquiring services;
• who provides card-acquiring services and how their market shares have developed historically;
• how merchants buy card-acquiring services;
• whether there are credible alternatives to card-acquiring services for some or all merchants;
• the outcomes of the competitive process including the fees merchants pay and the quality of service they receive.

Hannah Nixon, Managing Director of the Payment Systems Regulator, says:

"With more and more of us using our payment cards to make purchases, we want to make sure that retailers that

accept card payments can access card-acquiring services that are competitive, offer value for money and are innovative - working in both their interests, and consumers' interests too.

"This is about making sure that payment systems work well for everyone, and we will look to make changes if we think improvements should be made."

The draft terms of reference for the market review is open for consultation until 14 September 2018.

The regulator is interested to receive feedback on the draft terms of reference, in particular the consultation questions and welcomes any evidence in support of submitted views.

Source: PSR

Card payments pass 75 per cent of retail sales milestone in the UK

The British Retail Consortium's (BRC) annual payments survey reveals that cost of accepting cards reaches almost £1 billion.

For the first time the value of retail purchases made by card now accounts for more than three quarters of all retail sales, according to the BRC's latest annual Payments Survey, released today. This has partly been driven by UK customers increasingly using cards for lower value payments, traditionally dominated by cash. Cash fell again by more than 1%, accounting for just 22% of all retail sales.

As card payments have become more dominant, retailers have expressed concern at the rising costs of accepting cards. The Survey revealed that retailers spent an additional £170 million to process card payments in 2017, reaching almost £1 billion for the year.

The research showed that increasing costs have been driven entirely by card scheme fees, which jumped by 39% in 2017. The scheme fee increases to retailers in 2018 range between 30% and 100% for some transactions.

The BRC is calling for action from the Government and the Regulator to address the problem of soaring scheme fees borne by businesses, large and small, which come at a time when retailers are facing cost pressures elsewhere.

Commenting on the Survey's findings, BRC Head of Payments and Consumer Credit Andrew Cregan, said:

"EU payment regulation introduced in 2015 delivered savings for the retail industry and consumers, but these benefits have now been eroded by increases in other card fees. In fact many smaller retailers have questioned whether savings were ever passed on by card companies. The BRC are now looking to the Government and Regulator to tackle the alarming increases to card scheme fees imposed on retailers, and for action to simplify the complex fees and charges levied by the card payments industry."

- The BRC Payments Survey data is a sample from 48 per cent of the entire retail industry.
- The 2018 Survey looks at the methods of payment UK shoppers are using when buying goods in store and online, how this differs from previous years and the average cost to the retailer for handling each method of payment.
- Total UK retail sales rose by 4.3 per cent in 2017 to £366 billion (2016: c. £351 billion)
- There were almost 20 billion retail transactions overall in 2017 (2016: c. 19 billion)

READ THE REPORT ON NEXT PAGE

Source: BRC

RETAIL PAYMENTS:
A SNAPSHOT

- Total UK retail sales rose by 4.3% in 2017 to £366 billion (£351 billion in 2016)
- Average transaction value (ATV) of a retail purchase stood at £22.57 in 2017 (2016: £18.42)
- Our sample: 48% of the entire retail industry

TRANSACTIONS IN 2017	TRANSACTIONS PER DAY	TRANSACTIONS PER MINUTE
ALMOST **20 BILLION** (2016: 19 BILLION)	AROUND **54 MILLION**	ALMOST **40,000**

76% OF ALL RETAIL SALES

PASSING THE 75% MILESTONE

FOR THE FIRST TIME, CARDS ACCOUNT FOR MORE THAN 75% OF RETAIL SALES

- Cards were used to pay for £277.1 billion worth of goods in 2017, accounting for 76% of all retail sales and passing the 75% milestone for the first time.
- Cash continued its ongoing decline both as a share of retail transactions (↓0.5%) and as a share of retail sales (↓1.2%).

AN ADDITIONAL £170 MILLION

TO PROCESS CARD PAYMENTS IN 2017

CARD COSTS ON THE RISE

- The Interchange Fee Regulation (IFR) delivered savings for the retail industry and consumers, but these benefits have now been eroded by increases in other card fees. Many smaller retailers have questioned whether savings were ever passed on.
- Retailers spent an additional £170 million to process card payments in 2017, reaching almost £1 billion (£970m). These costs are borne by businesses, large and small, and add to the pressure on companies during a time of industry transformation.

SCHEME FEES INCREASED BY 39% IN 2017

ACTION NEEDED ON CARD FEES

- Increasing card costs shouldered by the retail industry have been driven entirely by scheme fee increases. Scheme fees increased by 39% in 2017 measured as a percentage of turnover, and the adverse impact of these scheme fee increases has been partly hidden by savings in other card charges. The scheme fee increases to retailers in 2018 range between 30% and 100% for domestic transactions alone.
- Regulatory action is needed to address the problem of soaring scheme fees, which come at a time when the retail industry is facing acute cost pressures elsewhere. The BRC is calling for:
  - Action to tackle the alarming increases to card scheme fees
  - Regulation to simplify fees and charges levied in the card payments industry
  - Expansion to the scope of the IFR to cover ALL card fees and charges

Evolution Of Card Fraud In Europe 2017

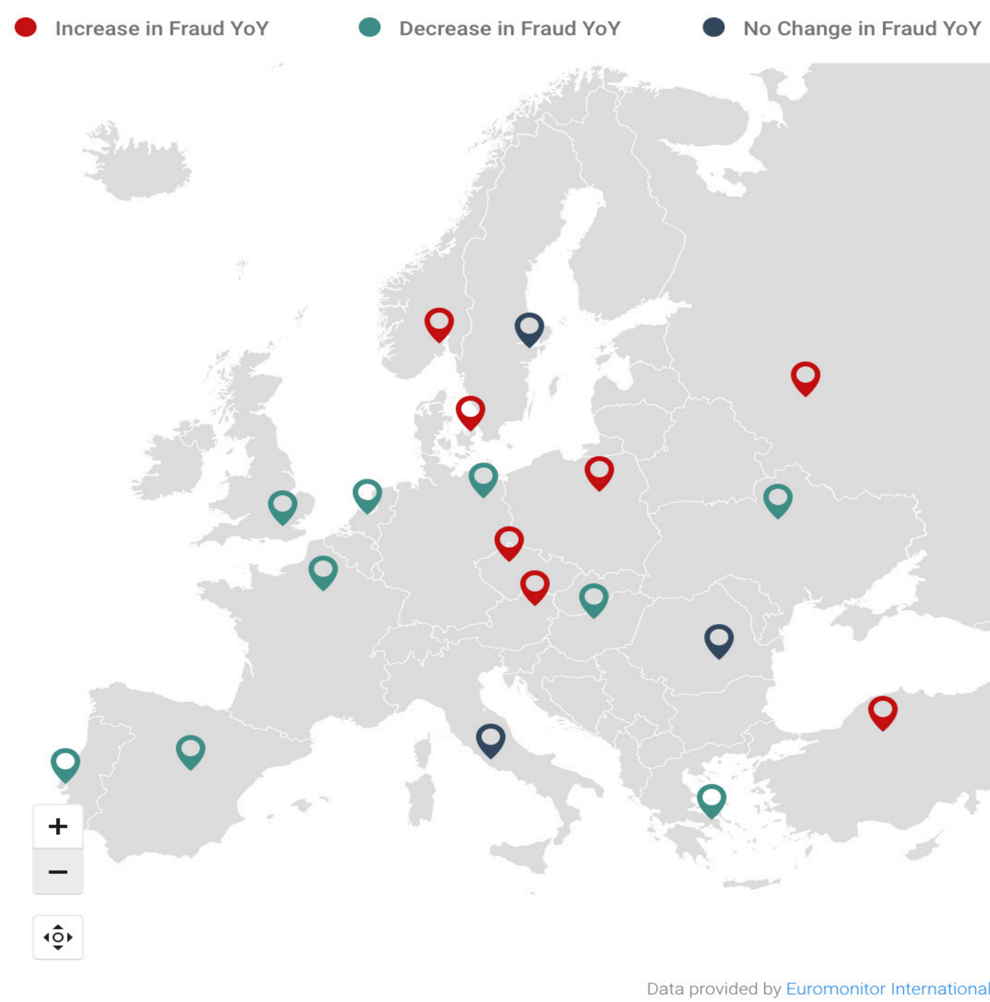
Despite Improvements in Key Countries, Card Fraud Continues to Grow

Markets across Europe have made significant gains in the fight against plastic fraud, specifically in France and the United Kingdom, which achieved 6% and 8% reductions. Despite this, losses across the EMEA region grew by €30 million.

The threat of card not present (CNP) fraud continues to be a key battleground for banks and retailers, as we now see a global migration of fraudulent activities. In the UK, we have seen a continued growth in online card utilisation but reduction in the success of fraud perpetrated within the channel. This has forced the fraudsters to migrate their efforts to new markets, with Austria, Denmark, Norway, Sweden, Poland and Russia all seeing an escalation in losses.

As well as this migration, we are also seeing an evolution of fraudulent exploitation using the cyber-enabled crimes. The total size of the cyber-enabled threats will come to the fore as PSD2 reporting comes into play across Europe, but early indications from the UK are that cyber-enabled, digital fraud (direct payments / compromises via internet and mobile banking) look set to overtake plastic fraud by 2020 if current trends continue.

Source: FICO



Open Banking – Learning from past successes

Open Banking is transforming the financial services market. There is no doubt about that. Financial services providers are quickly building the same types of ecosystems that we've become familiar with from the likes of Amazon and Facebook. As a result, the new scenery is starting to appear more interconnected and interdependent, promising to bring financial services more in line with these hugely successful consumer sites.

The media has been heavily focused on Open Banking and there has been some negativity about the lack of progress and the slow journey to an open landscape. However, banking systems perform a very different job to consumer systems – they look after people's money. They have been built over the course of decades to do this job efficiently and securely and it's this level of resilience that makes the difference. The post-Open Banking market will be built on distributed, interlinked services built on systems that are susceptible to failure in different ways to legacy systems. The industry must accept that the resiliency built up in traditional banking systems will need to be reinvented.

These old market infrastructures are battle-hardened. They have processes and controls in place to make them extremely resilient and able to compensate for the unavailability of individual service providers. However, they are old, hard to join, hard to change and expensive to run. All of which discourages innovation, hence the move to a more open or, at least, decentralised model driven by regulation such as Open Banking and PSD2. We're effectively seeing a clash between open and closed systems that will result in fundamental changes to a bank's technology architecture.

Entering uncharted waters

This has not been lost on the authorities, and the Bank of England has released a discussion paper on **'Building the UK financial sector's operational resilience'.** One of the most pressing considerations surrounds system failures – when one system used by multiple providers and supplied by (for example) a bank fails – and the potential domino effect these presents.

Open Banking has effectively created a porous system. An open environment creates potential points of failure and exposes systems to security breaches. By expanding the number and type of organizations offering financial services, the surface area open to attack or failure is greatly increased.

This isn't to say that we should cling to the old way of doing things, far from it. Just as the IT world has recognised that hosting solutions on open source technologies has transformed the pace of innovation, so too can an ecosystem of suppliers in the banking value chain.

The new architecture does, however, bring a new set of problems. The old system had gone through its teething troubles, had become hardened, and was largely secure and stable. Banks owned all of the "moving parts" and could resolve problems relatively quickly. In transitioning to a new system this stability is lost. The new world of Open Banking means that responsibility is distributed, and it is not clear how well individual service providers will work to resolve issues. While we've learned lessons from the past and applied them to system development, we're entering a new world with new challenges that have not been encountered before. Indeed, migration alone will present an unknown set of resiliency and stability issues. Who in the industry has done a migration on this scale before?

The answer is no one. We are in truly uncharted waters.

Avoiding a single point of failure

Ensuring resiliency is about robust validation and monitoring to make sure that no service provider introduces a systemic risk, and agreeing actions for when unforeseen systemic risks do hit home. We have the opportunity to bake in resiliency now and ensure that the safe functioning of the institution is not reliant on any one system.

The Bank of England paper makes it clear that resiliency is the responsibility of both the service provider and the service consumer, and that the end customer – the public – must ultimately be protected from the negative effects of system failures.

While there is no simple answer, it is up to everyone in the industry to ensure that Open Banking brings the benefits it promises to, and not the difficulties it could. Getting it wrong once will mean that the market and consumers could lose trust and faith in Open Banking. The financial services sector simply cannot afford for this exceptional opportunity to be stigmatised in this way.

By: Carl Bones, Head of Architecture, Icon Solutions

Source: Icon Solutions

Open Banking: Bringing Product Diversification & Consumer Choice

In a major vote of confidence in the future of Open Banking, Clydesdale Bank has integrated the DirectID Open Banking Platform from The ID Co. into its B mobile banking app. B analyses user data to make informed suggestions about spending and saving habits. Use of the platform will allow customers to see their account details and balances from all major banks and building societies in one location.

PSD2

Following the passage of the second Payment Services Directive in January, the nine biggest UK banks have been opening their data to approved FCA companies such as The ID Co. and other Payment Initiation Services Providers (PISP).

We have been extremely vocal in our support for Open Banking, bringing about, as it does, a tremendous opportunity for banks and customers. In the case of Clydesdale Bank customers, they can now import banking data from a range of UK banks including: Barclays, HSBC, Lloyds Group, Santander, RBS and Nationwide, as well as digital banks such as Starling and Monzo.

Future Developments

This is an excellent start for legislation that has only been in place for eight months. For both the industry, and consumers, the future is even more exciting.

The introduction of Open Banking and PSD2 are set to revolutionise the banking sector, as new players and smaller disruptor banks can level the playing field and compete with the established players. This in turn will lead to an upsurge in the volume of innovative products that are on offer to banking consumers, which will ultimately transform the sector.

Tech Innovation

Through the use of APIs, we expect to see further innovation and growth amongst new businesses in the financial

technology space, as well as within banks directly. This is in part being driven by customer expectation. Consumers in the main continue to bank with the five largest banks (Lloyds, HSBC, Barclays, RBS & Santander), but due to their size and scope and lack of direct competition, services have not matured in line with technological innovation. Savvy consumers demanding innovative products are being offered more opportunity than ever to tailor the services that they are offered by financial providers.

"Clydesdale's adoption of Open Banking is an exciting step forward in how Open Banking enabled propositions are helping customers securely move, manage and make more of their money." said Imran Gulamhuseinwala OBE, Trustee of the Open Banking Implementation Entity.

Moving forward, we are confident that account integration will be viewed as the starting point for Open Banking. Companies, including the ID Co., are building products and services that will address such diverse issues as income verification, affordability, credit risk, and Know Your Customer (KYC). These, individually and collectively, will impact upon major issues across the globe such as financial inclusion and servicing the unbanked, allow access to credit for those with thin credit histories, and drive down the cost of lending for consumers.

Digital Banks

The view amongst industry experts is that there is now a defined movement away from viewing banks as focusing solely on money, and towards banks becoming connected spaces for digital services. How banks react and take up this mantle could be key to their success in this new era of Open Banking. We have already witnessed banks such as Starling, Monzo and Atom Bank that have developed their proposition based on the ability to provide a "marketplace" of additional features to their customers – albeit not based on Open Banking – and it is now up to the larger banks to respond.

Closing Thoughts

Open Banking has ultimately been brought about through the will of Government in order to offer consumers more choice and range in their financial products. Now that Open Banking is here and is happening, the response of the major banks will be closely monitored. We are delighted that Clydesdale & Yorkshire Bank have understood the need to explore and implement functionality brought about through Open Banking, and we look forward to working closely with them. As more services and products are brought to market through fintech companies, challenger banks and the established players, we look forward to understanding their impact upon the industry, and ultimately the consumer.

By: James Varga, CEO & Founder, The ID Co.

Source: Wpengine

Open Banking and the Evolution of Digital Payments

The introduction of Open Banking is without doubt one of the most significant changes the European banking sector has seen in recent years. Many banks in the US, Australia and Asia are paying close attention to what's happening in the UK and other European countries with a view toward implementing similar systems in the future.

Dean Wallace, Practice Lead, Real-Time and Digital Payments at ACI Worldwide, discusses the opportunities for banks and PSPs in the Open Banking Era.

Consumers are set to benefit from an improved user experience under Open Banking, but what is the opportunity for banks and PSPs in the new Open Banking era?

DW: Open Banking is shaking up the financial services sector and opening up new avenues and opportunities for both banks and payment service providers (PSPs). The open API ecosystems that are emerging are helping players in the sector create next-generation value propositions – evolving their existing operations to make more of emerging digital technologies.

Open Banking enables banks and PSPs to be more creative with the services that they offer consumers. It also cultivates a more competitive banking environment, in which banks and PSPs have new ways to access customers, expand their audience and ultimately improve the bottom line.

For instance, HSBC's 'Get Connected' App aggregates competitor data to present users with a view of their bank accounts from all suppliers in one place. This not only provides consumers with a better understanding of their money, but also creates scope to attract customers from other providers. The app uses Open Banking APIs for a feature that actively makes suggestions about where consumers can cut day-to-day costs, which enhances the customer experience.

How is Open Banking influencing the types of payments services and technologies being developed today?

DW: Open Banking gives consumers greater control and understanding of their finances and banking data. In response, we're seeing new payment innovations being developed through digital channels, which help bolster consumers' control over their data.

One recent example is NatWest's launch of an online shopping system, in conjunction with Carphone Warehouse, enabling consumers to pay for goods and services directly through their bank accounts without using a debit or credit card. The user sees the balance on their account updated in real-time, which helps them to better manage everyday finances while at the same time offering the convenience of paying with a smartphone. Based upon 'Request for Payment' technology, this system mandates the payee to send a payment request through the consumer's bank, enabling them to evaluate and choose which of their accounts is most suitable for the payment before confirming. I expect we'll see this type of service gather pace for consumer payments.

What are the benefits of 'Request for Payment' services for merchants and consumers?

DW: For merchants, Request for Payment represents experimentation with Open Banking APIs, enabling them to offer and explore new and innovative ways to purchase goods and services while improving the overall customer experience. On the consumer side, Request for Payment means greater control and visibility over the money leaving your bank account. Improved money management fits in well with changes in employment patterns, as the rise in self-employment or multiple employment means increasingly unpredictable income streams for some consumers. This renders established payment methods such as direct debits and standing orders less suitable.

Have you seen any other examples of Open Banking enabling financial institutions to innovate?

DW: Plenty of financial institutions are recognizing the need to adapt to Open Banking and are using it to drive their innovation strategies. A great example is Erste Bank Hungary (EBH), which is using a universal payments solution to ensure customers can access real-time balance data across all banking channels on a 24/7 basis. Alongside providing a more convenient customer experience, EBH is also bolstering customer protection, using proactive risk management software that monitors in real-time to ensure maximum security across customers' accounts.

What challenges do emerging payment technologies like 'Request for Payment' face, and when can we expect them to reach the mainstream?

DW: The big problem for emerging technologies, when it comes to consumer payments, is familiarity. Naturally, consumers are wary when it comes to their finances, which leads to a degree of scepticism over new technologies claiming to offer better ways to manage money. This presents an obstacle for any service based on emerging technology and makes it very difficult to set out a timeline for when innovations such as Request for Payment will reach the mainstream. However, with major financial institutions endorsing and adapting to Open Banking, we can expect to see the release of more innovations such as NatWest's Request for Payment service – and this will serve to boost consumer confidence.

How else can we expect to see consumer payments evolve in the future?

DW: The financial services landscape is becoming a firmly consumer-centric environment. Across the UK and Europe, we'll continue to see the rollout of technologies that put control in the hands of consumers. The proliferation of real-time payment schemes will continue to cultivate an environment in which new technologies can be developed, and we'll see this in more widespread adoption of Request for Payment technologies and the continued modernization of established payment methods.

Source: ACI Worldwide

Selection of Merchant Payments' Industry
Mergers & Acquisitions

May, 2018 - Square Buys Weebly, May Bring Mobile Payments To More Websites

Square isn't one of those companies you hear a lot about, which is actually kind of odd. It was one of the biggest names in mobile payments before Apple Pay even really got involved, allowing companies of all sizes to more readily take credit cards. Now, the company staged a recent expansion effort in which it bought Weebly, a web design and hosting service that demonstrates Square's commitment to "omnichannel commerce."

The deal, reports note, was valued at a hefty $365 million, which gives Square not only access to the current subscriber revenue that Weebly's bringing in, but also better access to a means to offer its services directly to the website builders. Square isn't just about card readers, of course; it's also about payments services and related software, which might just go well with websites being built today.

Square's Alyssa Henry noted "Omnichannel commerce is our top focus area in 2018. From managing orders, appointments, and payments to building a website, running a business is complex, and entrepreneurs around the world want powerful and intuitive tools. With Square and Weebly, sellers will have one cohesive solution to build their business."

Some here might be concerned that Square is perhaps overspending; after all, just a week ago it picked up Zesty to bolster its Caviar operations. It's also picked up OrderAhead on that same front, which means that so far, Square has bought more companies in just the first four months of 2018 than it had in any year since it started.

Given that about 40 percent of Weebly's 625,000 paid subscribers are outside the US, though, this could give Square a push into global markets. That's especially so in markets where Square is already operating, like Australia, Canada, and Japan, where Weebly also has a significant presence.

It's hard to accuse Square of profligacy when it's picked up an income-generating property that could dovetail reasonably well into its current operations and give it a potential leg up on expansion efforts. Only time will tell, of course, just where it all goes, but for right now, Square may have picked up a real winner amid all the stuff it's bought lately.

Source: Paymentweek

August, 2018 - Verifone Systems, Inc. ("Verifone" or the "Company"), a global leader in payment and commerce solutions, today announced that it has been acquired by an investor group led by Francisco Partners, a leading technology focused private equity firm, and including British Columbia Investment Management Corporation. The acquisition was previously announced on April 9, 2018 and closed and became effective today.

With the transaction completed, Mike Pulli becomes Verifone's new CEO.

"The closing of this transaction represents a new and exciting chapter for Verifone as we seek to continue the transformation of Verifone from a terminal sales company to a leading provider of payments and commerce solutions," said Mike Pulli, CEO of Verifone. "Francisco Partners brings deep industry expertise in payments technology, systems and software that will help Verifone execute on its vision for the future. Together, we look forward to leveraging and further accelerating Verifone's technology to drive value for Verifone's merchant customers and channel partners around the world."

"Verifone's payments technology is critical to the operation of merchants around the world. We are excited to build upon Verifone's strong platform to continue to drive growth and bring additional capabilities to Verifone's customers," said Peter Christodoulo, Partner at Francisco Partners. "We look forward to working with Mike and the Verifone team to strengthen the Verifone franchise and bring innovative payments and commerce solutions to Verifone's customers."

Under the terms of the transaction, Verifone stockholders received $23.04 per share in cash. As a result of the completion of the acquisition, Verifone's common stock has ceased to trade on the New York Stock Exchange (NYSE).

Source: Verifone

September, 2018 - PayPal completes acquisition of iZettle for USD 2.2 bln

PayPal has announced that it has completed its acquisition of iZettle for approximately USD 2.2 billion.
iZettle is a Sweden-based fintech company. It rolled out a solution for mobile payments by launching the mini chip card reader and software for mobile devices, and its commerce platform for small businesses in Europe and Latin America provides tools for growing a business.

This transaction builds on PayPal's set of products and services for small businesses and is intended to accelerate growth and deliver an upgraded commerce experience for merchants.

Prior to the closing of the acquisition, the UK Competition and Markets Authority (CMA) initiated a review of the transaction. PayPal and iZettle brands and operations will be held separate as agreed with the CMA, pending completion of the CMA's review.

Source: The Paypers

October, 2018 - SIA Completes Acquisition of Card Processing Businesses in Central and Southeastern Europe from First Data

MILAN & NEW YORK--(BUSINESS WIRE)--SIA, a European high-tech leader in payment infrastructure and services, and First Data Corporation (NYSE: FDC), a global leader in commerce-enabling technology, today announced the completion of SIA's acquisition of First Data's card processing businesses in parts of Central and Southeastern Europe for €387 million.

As a result of this transaction, SIA becomes the leading player in processing and services in the region, offering card processing, card production, call center and back-office services, including 13.3 million payment cards, 1.4 billion transactions, in addition to the management of over 300,000 POS terminals and 6,500 ATMs. These businesses are primarily located in 7 countries: Greece, Croatia, Czech Republic, Hungary, Romania, Serbia and Slovakia. In 2017, these businesses generated a combined revenue of approximately €100 million for First Data.

Following the completion of this transaction, First Data remains highly committed to the European issuer processing business and will continue to serve its significant client base primarily through its leading VisionPLUS platform.

Source: Businesswire

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POSitivity Magazine

POSitivity Magazine is monthly newsletter and official publication of MPE, distributed directly to MPE community counting 20.000+ industry professionals. It provides an executive summary of key issues, challenges and opportunities relevant for the merchant payment industry in Europe and beyond. POSitivity Magazine readers are leaders, trendsetters, from established businesses and emerging star-ups driving the merchant payments business. The magazine can be downloaded from MPE website and is directly delivered as a digital copy and MPE community members are notified each time a new issue comes out along with a direct download link.

POSitivity Magazine Target Audience:

Website

33 000+ annual visitors

180 000+ page views

Online Community

8 000+ LinkedIn group members

20 000+ industry professionals receiving email campaigns

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POSitivity Magazine Advertising Specs

	WIDTH	HEIGHT
Full Page	215,9 mm	279,4 mm
2-pg Spread	432,8 mm	558,8 mm
1/2 Page Horizontal	215,9 mm	139,7 mm
1/4 Page Option A	120 mm	90 mm
1/4 Page Option B	90 mm	120 mm

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Spaces may accommodate jpg, png, gif or animated gif. Specific/special opportunities (only) may accommodate embedded video. Submit electronic files to ondrej.dorcik@empiriagroup.eu
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Interested in Contribution in POSitivity Magazine?

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Please contact Mr. Ondrej Dorcik for editorial guidelines and to discuss your ideas and editorial guidelines.

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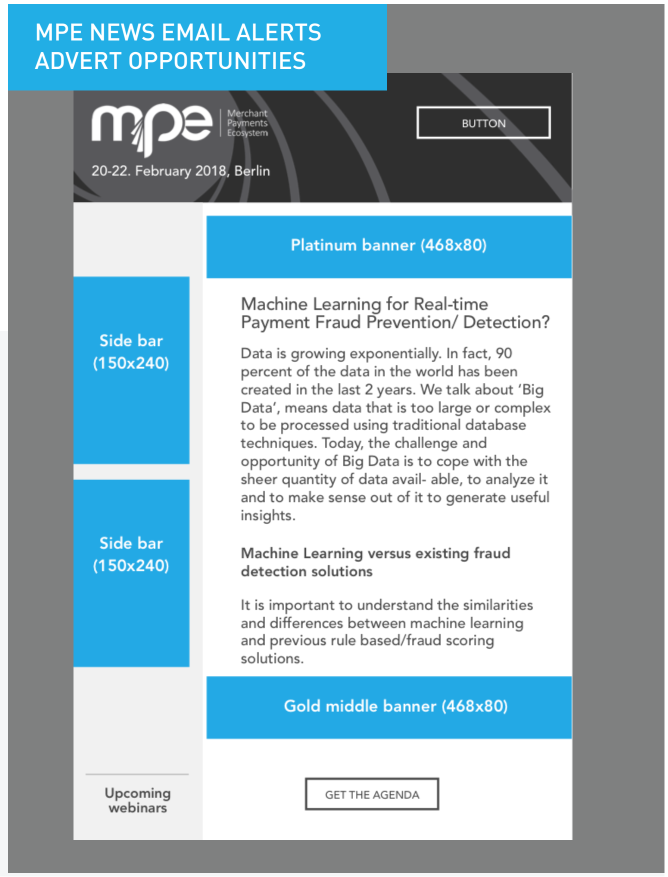

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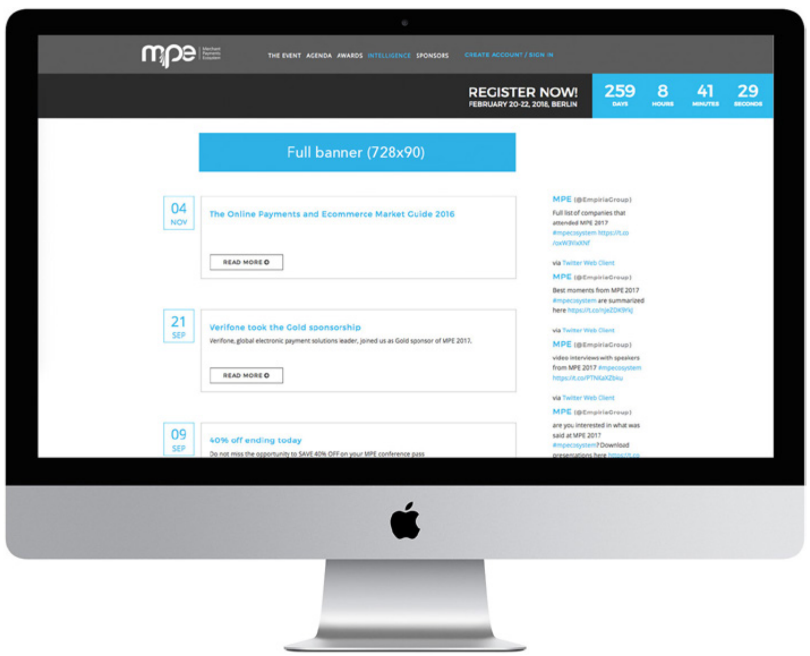

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Ad Size	1 issue	2 issues	3 issues
Full page	€999	€899	€799
1/2 page	€699	€599	€499
2-page spread	€1399	€1299	€1199
Cover (2,3,4)	€1199	€1099	€999

POSitivity News Email Alerts (Monthly)

Banner position	1 month	2 months	3 months
Platinum banner position	€999	€899	€799
Gold banner middle position	€799	€699	€599
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Side bar upper position	€599	€499	€399
Side bar lower position	€499	€399	€299

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Global Map of mPOS Providers

The most comprehensive industry overview of mPOS providers. The interactive map monitors the increasing complexity of mPOS ecosystem listing players coming in from different sectors around the Globe.

www.merchantpaymentsecosystem.com

2010 Jan

Square

Provider to merchants: ✓
(Core Service & Wallet)

Vendor to providers: ✗

Accepted Card Brands: VISA, MC, AMEX, DISCOVER

Countries Serving:
United States, Canada, Australia, Japan

Product Names: Square Register
Connection Type: Audio jack card reader
Features: Free secure card reader available after sign up, secure encryption, easy setup, free Square Register app, no setup fees or long-term contracts, funds from swiped payments are deposited directly into bank account within 1-2 business days, includes checkout customization, management tools, data analytics
Verification Method: Signature
Compatibility: iOS, Android

Website: www.squareup.com

2010 Mar

Lightspeed

Provider to merchants: ✓
(Core & Front Office & Back Office & Open API)

Vendor to providers: ✗

Accepted Card Brands: VISA, AMEX, DISCOVER, MC, JCB

Countries Serving:
United States, Australia

Product Name: LightSpeed Mobile
Connection Type: Mobile payments sled, serial port & audio jack card readers
Features: Create new invoices, perform inventory lookups, add or create a customer, scan products with linea-pro hardware, process credit card payments, accept signatures on-screen, email receipts. LightSpeed is the complete retail solution
Verification Method: Signature
Compatibility: iOS

Website: www.lightspeed.com

2010 Apr

Shopkeep

Provider to merchants: ✓

Product Name: Shopkeep