POSitivity magazine

THE OFFICIAL MAGAZINE OF MERCHANT PAYMENTS ECOSYSTEM • ISSUE 86 / AUGUST 2020

MPE Summer Week 2020

ONE WEEK LEFT TO REGISTER

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SUMMER WEEK 2020

7-11 September | Virtual Event

NEW NORMAL IN MERCHANT PAYMENTS

LEVERAGING THE EXPERIENCE FROM COVID-19 TIMES

THIS IS NOT A REPLACEMENT OF ANNUAL MERCHANT PAYMENT ECOSYSTEM CONFERENCE TAKING PLACE IN FEBRUARY 2021

#mpesummerweek

THE INTRODUCTION

We're excited to announce MPE SUMMER WEEK!
A virtual edition to MPE 2020 annual conference.

Join our newest virtual event and meet individuals and businesses that are disrupting the merchant payments industry in COVID-19 times.

KEY NUMBERS:

5 DAYS of VIRTUAL CONFERENCE / **5** THEMES / **10** KEYNOTES

25+ On-Demand Sessions

15 Sponsors & Exhibitors in Virtual Exhibit Hall

1.500 Senior Delegates in Virtual Networking Lounge

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The Key Topic of POSitivity Magazine is **Navigating Covid-19**

Dear POSitivity magazine readers,

The coronavirus (COVID-19) pandemic has become part of our new reality, creating short-term spending pain for many payment providers, but it's also driving new purchasing habits that could leave the companies in a stronger position once the crisis is over.

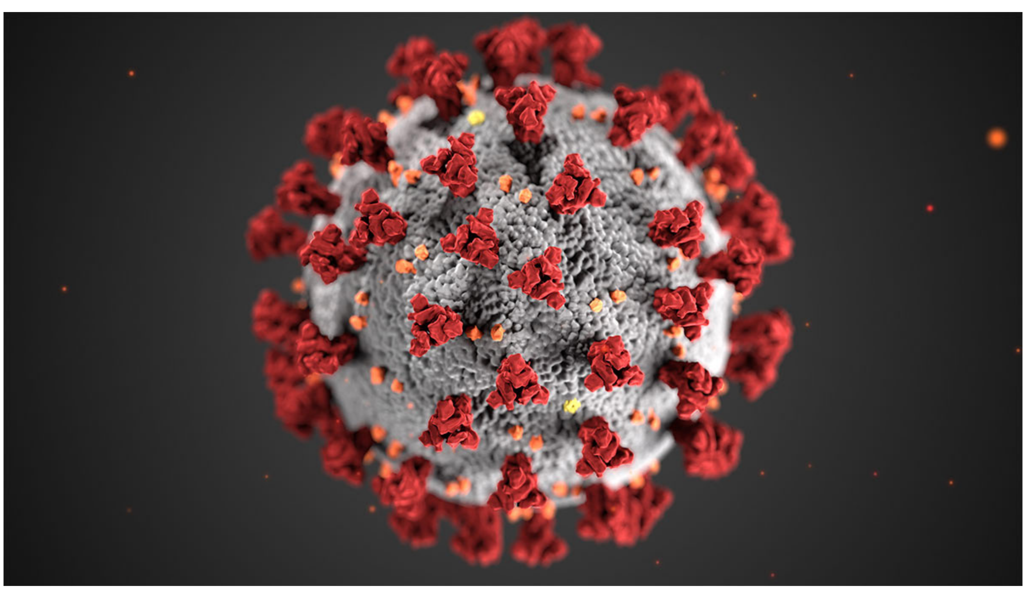
A digital transformation that was expected to take two years has instead been compressed into just the past two months.

In order to keep you abreast of this evolving situation, MPE POSitivity magazine provides a bi-monthly coverage of how the COVID-19 pandemic has affected major payment companies, customer spending and commerce during previous months.

MPE SUMMER WEEK 2020 speakers and MPE community members shared their perspectives on COVID-19, in the section „INDUSTRY PERSPECTIVES & BLOGS":

- What are the direct implications for the merchant payments ecosystem?
- What the industry is doing to overcome the challenges connected with pandemia.

If you have not had a chance to join one of the (COVID-19 impact on merchant payments) webinars MPE organised during previous months, you can find the list of previous webinars or register for the upcoming webinars.



We hope you and your families stay safe and look forward to engaging with you online over the coming weeks. If there is anything we can do to help you through this trying time, please let us know.

Enjoy the reading

Your MPE team (the publisher of the POStivity magazine)

Interviews with **MPE Summer Week speakers**

Holly Worst
Director Strategy and Marketing, Retail & B2B
Global enterprise eCommerce
Worldpay

Changing Commerce & Customer Behaviour

Q: A lot has happened during previous half year. Pandemic has had a drastic impact on nature of transactions: online transactions have increased, while POS transactions have shifted towards contactless. How likely will newly developed habits of Consumers last?

Consumer habits will definitely last post-Covid. A few habits that we will see last for some time are shopping through a Buy Now Pay Later (BNPL) provider such as Klarna and using eCommerce sites to buy new categories of products such as online groceries. BNPL providers have seen a really big growth spurt in Australia and Europe due to their ability to split payments or postpone payment of goods. With an economic downturn on the horizon, BNPL will grow in popularity as people look to control their spending. Covid saw a launch of eCommerce use especially in new categories like grocery delivery. Before, consumers may have been wary of using grocery delivery services, but Covid forced them to try new things and companies delivered a quality experience. I expect these new categories to last and grow into strong eCommerce sub-verticals.

Q: Do you feel that the current pandemic will change how consumers will make payments in the future?

The current pandemic will definitely change how consumers make payments in the future especially with contactless payments and the use of mobile/digital wallets. Our research indicates that by 2023, 30% of all POS and 60% of all eCommerce payments will be made via digital or mobile wallet. They are one of the fastest growing payment methods and expect to see a lot more use in the near future as they promote a contactless shopping experience plus a safer, more secure payment method as biometrics are usually needed to make a purchase.

Changing Customer Payments & Preparing for the New Normal

Q: What are the key trends driving European Merchant payments? What are the direct implications for the merchant payments ecosystem?

One big trend driving European Merchant payments is Open Banking. It affects merchants by delivering a new payment experience for their consumers, and it will fundamentally change the way loyalty works. Open Banking will change the customer experience by delivering a new payment method for consumers that helps them easily link to their bank account while also putting their data rights into their own hands. Will retailers offer incentives to have access to consumer data? Will consumers feel comfortable sharing their data? Open Banking will also change the way loyalty products work for merchants. No longer do I need to carry 5 different loyalty cards around for each of my favorite retailers, instead, retailers will have access to my card transaction data and be able to understand how often I shop, what I buy, and where I shop. It will bring personalization of product recommendations to the next level.

Q: What the industry is doing to overcome the challenges connected with pandemia.

Payment industries are looking to partner with companies or develop contactless experiences to help with the pandemia. At Worldpay, we have begun to look at Augmented Reality and Virtual Reality to make sure that those payment experiences are as frictionless as possible for consumers. For these experiences to become mainstream, consumers will need to be able to pay for objects within the AR or VR environment without leaving it. This requires thinking on how to have a secure payment transaction while your hands, eyes, or even phone could be occupied by the experience itself.

Q: What's next for merchant Payments and how do you see the NEW NORMAL in merchant payments?

The new normal for merchant payments is the emphasis on the contactless experience. How I can shop more online? How can I buy something in-store without touching anyone or anything? How can I use Virtual or Augmented reality to experience a product without going to the store? All of these are new user experiences that merchants will have to master in order to create the best customer shopping experience. There are many payment companies out there working on solving all of these issues like mobile POS, Scan and Go apps for customers, virtual reality stores, and arming store associates with mobile PEDs

Business Models

Q: How to adjust business model to survive and thrive in 2020? What are the opportunities for merchant service providers in 2020/2021?

The biggest business model shift that retailers need to make in order to survive is to begin to think of your customer's total lifetime value no matter what channel they shop in and to develop an omnichannel strategy that integrates your products, customers, and payment methods in a seamless manner. Your customer is most likely researching about your products online, going in-store to touch and feel it, searching social media to get reviews, then going back online to research different prices before they buy. Being present in all channels and being able to get a single customer view to understand customer shopping habits and preferences can help retailers deliver better recommendations and a better shopping experience to their customers.

Q: How to differentiate and stay ahead of the industry in the times of the COVID-19 global pandemic?

The number one way to differentiate your business during Covid-19 is being present where your customers are. Do you have a younger customer base? Begin to develop a seamless shopping experience through social media. Facebook, Instagram, and even Tik Tok have released better shopping and payment experiences through an in-app checkout. Then by offering Apple Pay or Google Pay, your shoppers can check out with one easy click. Are most of your customers at home? Ensure you have a frictionless online shopping journey with one click check out, security icons featured on-site, and guest check out offered for a faster check-out process.

Payment Solutions in Pandemic and for the New Normal in Merchant payments

Q: How can payment providers help Merchants navigate through COVID-19 and in the new post-COVID reality to drive frictionless payments?

This is our speciality! Payment providers can help you optimize your authorization and approval rates which boosts revenue, reduce your chargebacks and fraud occurrences which reduces costs, and help you deliver a seamless online and in-store payment journey for your customers which can help decrease abandoned baskets. We have loads of data and research on what customers prefer, and if you work with Worldpay, we have retail payment experts that can help you with your global payment strategy.

Fraud & Security

Q: The coronavirus pandemic is going to be an opportunity for e-Commerce merchants, bringing also a massive wave of fraud attacks into an online environment.
What are the new security & risk challenges for acquirers, PSPs and merchants?

I wouldn't say that we will see any new security or risk challenges, but we will see an increase in online fraud. Card not present transactions have always had a higher fraud risk, so acquirers are working on new products to get smarter at capturing customer data to ensure that fraud stays low. New regulation like PSD2's Secure Customer Authentication will require double account verification at checkout. While this may cause added friction at checkout, with the rise in biometric and mobile payments, we should see this quickly become a mainstream practice that consumers are willing to partake in.

Q: Are there any new specific fraud types we see an increase in during the COVID-19 crisis

Online, card not present transactions have always brought with it an increase in fraud attacks. Retailers need to be diligent on data they are capturing, using biometrics, and working with their payment provider to find the right balance between high acceptance/approval rates and the fraud risk they are willing to take.

Daniel Kornitzer
Chief Business Development Officer
Paysafe Group

Changing Commerce & Customer Behaviour

The shift to online and the diversification of the checkout

COVID-19 has forced more people to shop online in the short term. 18% of consumers shopped online for the first time ever, during the pandemic.

And this trend isn't short term. 38% said that they would be shopping online more often in the future even after the pandemic. Consumers also want choice in how they pay: 56% said they made an online payment using a alternate method they were previously unfamiliar with during the first month of lockdown.

A merging of the physical and digital worlds

For businesses with a physical presence the impact of COVID-19 runs deeper than simply seeing consumers migrate online while they were closed. In addition to having to accelerate their plans to establish an online presence, businesses must now think about how they integrate their brand and checkout effectively. This means an omnichannel user and brand experience on the front end, and integrating data from online and physical checkouts to give better customer insights at the back end. We are already seeing examples of the physical and digital worlds merging through the checkout such as app ordering in pubs and restaurants. This trend will accelerate as other technologies such as VR and AR digitise the retail experience.

The growth of contactless, and the emergence of frictionless

Where consumers are shopping on the high street, they are changing the way they spend in-store. Increasing adoption of contactless payments is a trend that has been identifiable for some time (especially in early adopter countries such as the UK), but this is now accelerating rapidly – including in countries such as the US which has been slower to roll out contactless payments. 56% of consumers are more comfortable using contactless cards than a year ago due to using them more since COVID-19. 53% say that they are now more comfortable with the concept of a contactless society and 65% now believe that contactless payments are more convenient than cash. Amazon Go style frictionless payments where there is no physical checkout whatsoever takes this model to the next level.

The growth of subscription payments

The subscription economy is another growth area as consumers turn to digital checkouts.

Seen by many as a convenient way to make regular payments, half (50%) of international consumers today already have at least two subscription payments leaving their bank account every month, and 27% expect this number to increase in the next year. Over half (53%) of consumers already agree that subscriptions are a more convenient way of paying for goods and services they already use and 44% say subscription services are better value for money. As more people turn to online businesses on a regular basis we're likely to see this trend grow.

Gijs Boudewijn
Deputy general manager
Dutch Payments Association

Fraud & Security

Q: Are there any new specific fraud types we see an increase in during the COVID-19 crisis

Request to Pay (RtP) payments will become increasingly important and give maximum control to consumers, especially since the RtP Scheme Rulebook of the European Payments Council is expected to go live later this year. Since the outbreak of Covid-19 we have seen a considerable increase in what is called Authorized Push Payments (APP) fraud. Consumers receive payment requests from fraudsters through social media channels, often impersonating children or relatives claiming to be in distress and in urgent need of money. A good Confirmation of Payee (CoP) service can really help fight this type of fraud.

“ REQUEST TO PAY (RTP) PAYMENTS WILL BECOME INCREASINGLY IMPORTANT AND GIVE MAXIMUM CONTROL TO CONSUMERS, ESPECIALLY SINCE THE RTP SCHEME RULEBOOK OF THE EUROPEAN PAYMENTS COUNCIL IS EXPECTED TO GO LIVE LATER THIS YEAR

Jared Drieling
Senior Director of Consulting & Market Intelligence
TSG

Business Models

Q: How to adjust business model to survive and thrive in 2020? What are the opportunities for merchant service providers in 2020/2021? How to differentiate and stay ahead of the industry in the times of the COVID-19 global pandemic?

The opportunity for merchant service providers in this new reality is having the ability to support merchants that need to be able to adjust or pivot. For example, in order to survive many small merchants needed/need to shift their business activity (or explore for the first time) the eComm channel, enable applications such as online order/physical pickup and/or buildout more complex reward/loyalty types of solutions. Merchant service providers who have focused on providing integrated payments across all channels and can support /help merchants pivot or adjust have seen their strategy payoff. So, payments players are investing heavily in making their platforms easier to integrate with software solutions. The world of payments, software, and technology are intersecting at a rapid rate. Software is quickly becoming the driving force behind commerce, and it's going to determine who merchants work with, how they run their businesses, where they are finding service providers.

Claire Maslen
Chief Marketing Officer
Consult Hyperion

Changing Commerce & Customer Behaviour

Q: A lot has happened during previous half year. Pandemic has had a drastic impact on nature of transactions: online transactions have increased, while POS transactions have shifted towards contactless. How likely will newly developed habits of Consumers last?

I'd normally be inclined to say people have short memories and revert to type, but I think the pandemic has encouraged or amplified, behaviours that people were starting to display anyway. Previous deployments of contactless cards and acceptance technologies have shown that once people get used to contactless payments they continue to use it provided the experience works. Raising the limits in a number of markets has helped – add to that the use of wallets for high value transactions, I definitely think this has become the norm and unlikely to be reversed in face to face transactions. As for online, well, we are still in the midst of the pandemic with many regions in lockdown or certainly under restrictions, so a move to eComm satisfies consumers desire to spend on essentials (groceries) and luxuries (clothing, home, garden etc), that they would normally conduct in the high street without the fear for their health and well being. Merchants are offering more payment options and we've seen an increase in providers for instant issuance of credit. Personalised and alternative payments are good for consumers and brands alike. The only potential issue merchants and consumers now face is how they effectively handle SCA – we run the risk of fragmented experiences unless people can get on the same page and work to ensure a similar customer journey.

Q: Do you feel that the current pandemic will change how consumers will make payments in the future?

Absolutely. The pandemic has encouraged behaviours that the industry had collectively hoped for previously. As consumers have become cautious about using keypads which are not their own (PoS/PED etc), they are seeking truly contactless and contact free payments driven from their own mobile devices. We can expect to see a further developments blurring what is instore, in-app, online payments, whether this be via NFC or QR code. By moving payments digital, merchants can consider how their customers interact with them. We can expect to see an expansion of merchants making use tablets and mobiles to accept payments from customers anywhere. I firmly believe the need for seamless payment experiences online and instore will drive innovation around customer engagement and experiences.

Chris Skinner
Author, Speaker and Troublemaker

Business Models

Q: How to adjust business model to survive and thrive in 2020? What are the opportunities for merchant service providers in 2020/2021?

For over a decade, I've been arguing that the business model of finance - payments, commerce, trade finance, treasury, branch retail operations, cash, card and more - are all built on a flawed business model of physicality. They all came from the last century model of dealing with paper distribution with buildings and humans (think payables and receivables, cash and cheque and more). Today's world is all about the digital distribution of data through software and servers and demands a fundamentally different business model and structure. Unfortunately most of the institutions that were thinking about this pre-pandemic have purely implemented fast fixes to deal with pandemic. Post-pandemic, banks and payments firms really need to rethink to be truly digital.

Chris Skinner, author of Doing Digital: Lessons from Leaders and commentator at www.thefinanser.com

Gary Munro
Principal Consultant
Consult Hyperion

Payment Solutions in Pandemic and for the New Normal in Merchant payments

Q: How can payment providers help Merchants navigate through COVID-19 and in the new post-COVID reality to drive frictionless payments?

COVID-19 has driven a rise in both contactless and e-commerce payments, and a move away from cash and cash handling, in particular the hospitality sector has had to adapt quickly here, with things like booking, online menus, ordering, high value contactless payments. In our "new normal" customers are used contact free payments and are unlikely to return to cash and touching POS PIN pads. The blurring of the lines between online, in-app and in-store is happening, payment providers need to work with merchants to provide contact free payments in a way that lets the merchant determine the user experience with true omni-channel, allowing the consumer the choice on how they order and pay. Whilst consumers avoid receipts for small value payments, the move to a more digital payment experience allows the merchants to offer e-receipts and warranties for larger purchases as well as building in different repayment options at the point of purchase.

Payments providers must also look to where the merchants pain points are, e-comm proof of deliveries and "friendly fraud", by exploring the developments in SoftPOS and using the payment rails for "deliver to card" solutions to solve real merchant pain points.

“ PAYMENTS PROVIDERS MUST ALSO LOOK TO WHERE THE MERCHANTS PAIN POINTS ARE, E-COMM PROOF OF DELIVERIES AND "FRIENDLY FRAUD", BY EXPLORING THE DEVELOPMENTS IN SOFTPOS AND USING THE PAYMENT RAILS FOR "DELIVER TO CARD" SOLUTIONS TO SOLVE REAL MERCHANT PAIN POINTS.

Ivan Glazachev
CEO
Yandex.Money

Changing Commerce & Customer Behaviour

Q: A lot has happened during the previous half-year. Pandemic has had a drastic impact on the nature of transactions: online transactions have increased, while POS transactions have shifted towards contactless. How likely will newly developed habits of Consumers last?

Boost of the Russian e-commerce market during the pandemic has a few peculiarities that are worth to mention. Conservative users tried online-shopping and liked it. The studies show that around 10 million new customers paid online for the first time during the lockdown in Russia and around 33% of businesses digitilized sales. Lockdown in Russia started at the end of March and the first two weeks were hard for the e-com. But later the number of transactions increased at the segments of food delivery, beauty and health-related goods, online-education and goods for children. Whether the new customer habits are here to stay for good depends on the segments and duration of the precaution measures. For example, food delivery, online shopping and digital content are still actively paid for online. However, in June when the lockdown measures were eased, traditionally mostly offline segments like apparel & shoes quickly regained the brick-and-mortar popularity.

James Booth
VP - Head of Partnerships, EMEA
PPRO

Changing Commerce & Customer Behaviour

Q: A lot has happened during the previous half-year. Pandemic has had a drastic impact on the nature of transactions: online transactions have increased, while POS transactions have shifted towards con-

tactless. How likely will newly developed habits of Consumers last?

The pandemic has accelerated a trend that was already prevalent in the payments ecosystem. We have seen healthy growth rates for e-commerce, contactless and other digital forms of payment (e-wallets, bank transfers, etcetera) for years, but those have grown exponentially since January. Many countries are in the seventh or eighth month of lockdown, and these new habits have definitely taken root. The pandemic has fundamentally changed the way consumers look at purchasing goods online or in-store, and – outside of what we know about how long it takes to form a habit – many studies have shown that consumers expect to keep shopping online or using contactless payments even after the pandemic because of the convenience.

Q: Do you feel that the current pandemic will change how consumers will make payments in the future?

Yes. The pandemic has permanently altered the way consumers look at payments. In-store payments have gone fully contactless – even in the States, a market that was slow to adopt that technology – and invisible checkout flows are becoming more common. Having a QR code on a table to view a menu is now normal (compared to a few months ago when that experience was very rare and reserved for quirky or forward-thinking establishments). E-wallets and "alternative" payment methods are now mainstream; there is inherent convenience, safety, and security with those payment methods that's been much-needed during the pandemic. I expect people will prefer them – and even discover new, easier ways to pay – long after the outbreak.

Paul Rodgers
Chairman
Vendorcom

Fraud & Security

Q: Are there any new specific fraud types we see an increase in during the COVID-19 crisis

With the increase in ecommerce traffic due to Coronavirus, it has never been more important to deliver to objectives of the Strong Customer Authentication regulations as speedily as possible to prevent a surge in fraud. Ironically, because of the inconsistent, uncoordinated and issuer-dominated way that it is being rolled out, it will take much longer to have the desired effect in the merchant payments ecosystem. The impact on the economy and consumer experience in Europe will be dramatic as we approach the Black Friday and Christmas shopping period and the need to National Competent Authorities to relax the stringent enforcement criteria will weaken the overall effectiveness of this fraud prevention measure. With some issuers continuing to use insecure methods such as One Time Passcode by SMS or a knowledge-based second factor, there is a strong possibility that SCA, as currently designed could add to the fraud problem, especially for the most disadvantaged cardholders and consumers. I urge merchants to protect their transactions by investing in additional fraud monitoring solutions during this difficult time.

The pandemic has made PayPal 'more relevant' than ever before, CEO says

The global health crisis has sped up the adoption of digital payments and the industry is now more important than it ever was, PayPal CEO Dan Schulman told CNBC's Jim Cramer Thursday.

"What I think what's happened is the world has accelerated from physical to digital across almost every industry," he said in a "Mad Money" interview.

And PayPal, the parent of an e-commerce portfolio that includes Venmo, Honeywell and Braintree, saw its revenue surge 22% last quarter in the middle of a coronavirus pandemic that pushed the U.S. economy into a perilous position.

As society attempts, with much pushback, to adhere to social distancing guidelines to contain the spread of Covid-19, businesses and organizations across the spectrum have loaded up on tools and technologies to adjust and continue operating under new a new normal.

Health institutions are leveraging telemedicine, schools are equipping themselves with remote learning platforms and retailers are going online or setting up contactless payment systems in their brick-and-mortar locations, said Schulman, who has led PayPal since 2015.

Restaurants, where dining has been restricted by capacity limits, must rely more on take-out and delivery services, he added. Leading delivery operators like Uber Eats, DoorDash and Postmates also rely on online payments to carry out transactions.

Schulman told Cramer that digital was poised to be a key part of the economy, but the pandemic only accelerated the need for online commerce from a timeframe of three-to-five years to three-to-five months.

Between April and June, PayPal recorded $221.7 billion worth of user transactions on its platforms, up 29% year over year from $172.4 billion. The company also had its strongest user growth on record, adding 21.3 million new net active accounts in the quarter.

"Across every industry, we're seeing this surge towards a digital-first strategy, and all of the tools and products and services that we offer are probably more relevant and important across multiple industries than they've ever been before," Schulman said.

PayPal reported $5.26 billion in revenue, up from $4.3 billion the year prior, in the quarter ending June 30. The e-commerce company posted a profit of $1.26 billion on a non-GAAP basis, or $1.07 of earnings per share, a 49% increase from a year ago.

Wall Street estimated sales of $5 billion and earnings of 87 cents per share, according to Factset.

Shares of PayPal rose 0.91% to $193.07 at Thursday's close. The stock is up more than 78% year to date.

Author: Tyler Clifford
Source: CNBC

Contactless payments jump 40% as shoppers fear germs on cash and credit cards, Mastercard says

Shoppers are increasingly paying in ways that don't involve touching cash, or handing over a credit card, because of fears of the coronavirus, according to Mastercard.

The credit-card giant reported a 40% jump in contactless payments — including tap-to-pay and mobile pay — during the first quarter as the global pandemic worsened.

Mastercard CEO Ajay Banga said the trend was being driven by consumers "looking for a quick way to get in and out of stores without exchanging cash, touching terminals, or anything else."

"We are seeing an increase in the use of contactless transactions, and we think this trend will continue after the pandemic," Banga said Wednesday on Mastercard's first-quarter earnings call with analysts.

The World Health Organization has denied reports that the agency warned against using cash amid the outbreak. But regardless of whether there's a proven risk, the psychological factor of people thinking of cash as "unclean" appears to be changing how people choose to pay.

Before the virus outbreak, mobile payments in the U.S. were consistently below global adoption rates at roughly 10%, according to according to management consultancy Bain. Experts cite a deeply embedded legacy system and rewards cards as reasons Americans historically don't tap their phones to pay. In China, by contrast, more than 80% of consumers used mobile payments last year.

Mastercard also reported a "dramatic" increase in online payments thanks to shutdowns of major cities caused by the outbreak. So-called "card not present" transactions jumped 40% year over year in the first quarter. Banga, who announced he would step down at the start of next year, said he expects the shift to digital to persist after the pandemic.

Meanwhile, in-person, or "card present" transactions saw a sharp decline. Banga said the slowdown in consumer spending "was currently in the stabilization phase in most markets" giving Wall Street hope that the slowdown was starting to reach a bottom. Shares of Mastercard jumped 7% after the earnings call.

The payment companys profit fell in the first quarter, but its $4.01 billion in revenue and $1.68 earnings per share were better than Wall Street's projections.

"While it is not possible to dismiss the risk that the virus will resurface and lead spending declines to reaccelerate, the weekly spending data in MA's slide deck suggests the spending decreases may have bottomed in mid-April," Bill Carcache, analyst at Nomura Instinet, said in a note to clients Wednesday.

Author: Kate Rooney
Source: CNBC

Contactless, **Digital Drive** Mastercard Q2 Earnings

Mastercard reported Q2 earnings results on Thursday (July 30) that in many ways mirrored what rival Visa reported the day before. Like Visa, Mastercard delivered better-than-expected second-quarter results, despite sharply reduced consumer spending during the pandemic. And the company said it's ready for the new world of greater digital and contactless shopping.

"Our platform uniquely positions us to support the shift to digital across consumer and business payments that has been accelerated by the COVID-19 pandemic – including an increase in consumers' preference for contactless payments," CEO AJ Banga said in the company's earnings call with analysts. "We're focused on managing the business for the long term, and we are focused on investing in key strategic priorities in areas like open banking, real-time payments [and] cyber intelligence solutions.

"The crisis has driven an acceleration in the use of electronic forms of payments, with much greater adoption of digital and contactless solutions," he continued. "And we believe those will be sustained beyond the pandemic – and we are very well-positioned to capitalize on them."

Michael Miebach, Mastercard's president and CEO-elect, said contactless transactions represented 37 percent of those made in-person during the quarter, up from 28 percent a year earlier.

Miebach added that changes to the commerce ecosystem are looking more and more likely to become permanent. He cited data indicating that some 70 percent of consumers plan to continue or increase their online purchasing in a post-pandemic world, while 60 percent expect to use less cash even after COVID-19 subsides.

"We are providing digital-first solutions that leverage our tokenization and other digital technologies to meet these changing needs," Meibach said.

On the downside, Mastercard's revenue, TPV and earnings all fell year over year during the latest quarter.

The company posted net income of $1.4 billion ($1.41 a share), down from $2.05 billion ($2 a share) in the year-prior quarter. Adjusted earnings per share likewise dropped to $1.36 from $1.89, while analysts surveyed by FactSet had been expecting $1.16.

Total payments volume also lost 10 percent during the latest quarter, while cross-border volume plummeted a dramatic 45 percent. However, Miebach noted that cross-border volume will likely see least some recovery in the near term.

He said that travel restrictions in Europe are easing and consumers are starting to venture forth, albeit by car rather than plane. "Once border restrictions are lifted, we will see some increase there," he noted.

Mastercard also reported that net revenues declined to $3.34 billion from $4.11 billion a year before – a notable fall-off, but still ahead of the $3.25 billion analysts were predicting.

Some of that loss was also balanced out by what Mastercard refers to as its "other revenue" line – cybersecurity tools, data analytics and other services offered. Those revenues rose 14 percent on a constant-currency basis, driven mainly by what Chief Financial Officer Sachin Mehra referred to as "booming" demand for those services as consumers and businesses worldwide reconfigured their lives around digital interaction.

Source: Pymnts

Muted spending growth in pandemic doesn't cancel big opportunities for payments companies

The payments industry in the age of COVID-19: E-commerce adoption has surged, but travel spending remains stubborn.

COVID-19 is creating short-term spending pain for many payment providers, but it's also driving new purchasing habits that could leave the companies in a stronger position once the crisis is over.

While credit-card networks Visa Inc. V, 0.42% and Mastercard Inc. MA, 0.71% have seen payment-volume growth pressured by temporary business closures, elevated unemployment and a cutback on international travel, the companies have also seen people increasingly move their spending online—something that likely bodes well for the future. E-commerce has remained a bright spot for the card companies even as some in-person categories show rebounds.

Visa reports earnings after the closing bell on Tuesday, July 28, followed by PayPal on Wednesday. Mastercard posts results in the morning on Thursday, July 30, and Square's results are due up after the market closes on Wednesday, Aug. 5.

Visa's domestic card-present volumes—basically in-person spending—improved to a year-over-year decline of 20% exiting May, compared with a nearly 50% decline for much of April. Still, as in-person shopping trends got better, e-commerce volumes continued to grow as well, up nearly 40% exiting May for its highest weekly growth rate of the pandemic.

PayPal Holdings Inc. PYPL, -0.05% does nearly all of its business online, and the company disclosed on its last earnings call in May that the COVID-19 crisis led to its largest-ever day of transaction volume earlier that month, above even Black Friday and Cyber Monday.

Some of the overall growth in e-commerce spending comes from existing online shoppers who are doing more of their purchases on the web, but payments companies are also seeing new e-commerce users join the fray. In Latin America alone, 13 million Visa cardholders completed online transactions for the first time in the March quarter, the company's chief product officer told MarketWatch. It's a trend that has the broader industry feeling optimistic.

"The secular shift from cash and check to electronic forms of payment is important, and we expect it to accelerate coming out of this crisis," Mastercard Chief Executive Ajay Banga said on the company's last earnings call in April.

For Square Inc. SQ, 1.03% , the story is a bit more nuanced. Analysts see a longer recovery ahead for the company's seller business since many Square merchants have substantial bricks-and-mortar operations. The bright spot has been Square's Cash App, which lets people send money to friends, trade equities, and pay for goods with an associated debit card.

Square's Cash App and PayPal's Venmo brought new users in during the pandemic by facilitating the direct deposit of stimulus payments straight to Square or Venmo accounts. Now the companies will look to keep these users engaged with other revenue-generating services.

How the stocks are reacting

Square's stock has been the best performer lately amid enthusiasm for the Cash App. The stock has rallied 124% over the past three months and its up 104% so far in 2020. PayPal shares are up 64% in a three-month span, roughly matching their year-to-date gains, while Visa shares have climbed 23% over three months and 5% on the year. Mastercard's stock is up 26% and 4%, respectively, over those spans. The S&P 500 SPX, 0.00% has risen 17% in the past three months and its up about 1% on the year.

The companies and their numbers

Visa: "Many countries are showing spending improvement," the company said in a June 1 filing. Visa disclosed that U.S. debit volumes were up 4% from a year ago for the first two months of the June quarter, while domestic credit volumes were off 25% and overall U.S. volumes were down 11%. Speaking at an investor conference a few days later, Oliver Jenkyn, Visa's executive vice president for North America, said that COVID-19 could drive a $100 billion annual shift from credit cards to debit cards over time as consumers moved toward more conservative purchasing habits.

Analysts surveyed by FactSet expect that Visa will report $4.82 billion in fiscal third-quarter revenue, compared with estimates for $5.56 billion as of late March. Adjusted earnings estimates have fallen to $1.03 a share from $1.32 as of the end of March.

Mastercard: The company disclosed in a June 24 release that switched volumes were down 1% year-over-year in the week ended June 21, with U.S. volumes up 5% and world-wide volumes excluding the U.S. down 5%. Mastercard cited "continued improvement in discretionary categories such as clothing, gas, home improvement, restaurants, auto and domestic travel." The company also said that travel within Europe has helped to drive slight improvements in cross-border spending, though cross-border volumes were still off 41% in the June 21 week, compared with a 44% drop in the last full week of May.

The FactSet consensus calls for $3.24 billion in June-quarter revenue, compared with estimates for $4.02 billion as of late March. Analysts expect adjusted earnings per share of $1.17, whereas they were projecting $1.75 for the quarter as of the end of March.

PayPal: Chief Executive Dan Schulman told MarketWatch after the company's last report that April "was probably the strongest month for PayPal since we became a public company." The question is whether PayPal will continue to see increased interest in online shopping as people begin going back to their normal routines. Chief Financial Officer John Rainey sought to address that at a June 2 investor conference, saying that PayPal continues to see "elevated" e-commerce spending in markets that were quicker to relax shelter-in-place restrictions. He said that while it "remains to be seen" whether e-commerce spending would stay at these elevated levels, "some of these shifts are likely to be permanent."

Second-quarter earnings estimates for PayPal have come up in recent months, as analysts now project 87 cents in adjusted EPS, whereas they were calling for 82 cents as of March 31. Revenue estimates have been largely flat: Analysts predict $4.99 billion, compared with a prior expectation for $5 billion.

Square: Chief Financial Officer Amrita Ahuja said on Square's May 6 earnings call that card-present volumes were down about 60% from a year earlier during the last two weeks of March, though the company saw "early signs of potential stabilization and improvement" in April. The company's Cash App hit a new high for net new monthly transacting users in March and then topped that high in April.

Analysts now project $532.8 million in June-quarter revenue for Square, compared with estimates for $583.5 million as of late March and $737.1 million as of late February. The FactSet consensus models a 5-cent adjusted loss per share for the quarter. Analysts had been looking for 8 cents in adjusted EPS as of late March and 22 cents as of late February.

What analysts are saying

• "We believe June quarterly results will be neutral for the payments/fintech sector," wrote Wedbush analyst Moshe Katri, who expects weak transaction trends bricks-and-mortar small businesses to be offset by booming e-commerce growth. He argued in a July 22 note that the outlook for the second half of the year could be impacted by sustained pressures on cross-border travel as well as pauses in credit and debit volume growth in the last couple of weeks now that some states are pulling back on their reopening plans.

• "It feels a bit scary to say it out loud, but the COVID-19 pandemic appears to be ushering in a new era of peace and collaboration between the payments system and governments," wrote MoffettNathanson's Lisa Ellis in a July 10 note. The payments sector has had a "love-hate" relationship with the public sector but now governments seem to be cooperating more with payments companies like Square and PayPal, which helped facilitate Paycheck Protection Program loans and disburse stimulus payments.

• The pandemic "finally" offers PayPal "a window of opportunity to break into offline (historically the company's Achilles heel)," wrote Bernstein's Harshita Rawat in a July 17 note. The company has rolled out a QR-code payment option amid growing demand for touchless payments. QR codes have the potential to be a disruptive force across the payments landscape but Rawat doesn't expect them to "take over the (payments) developed world" over the next five years.

Author: Emily Bary
Source: [Market Watch]

Andréa Toucinho

Directrice Etudes, Prospective, Formations

Partelya Consulting

Digital payments: key insights

"Dématérialisation du paiement & évolutions du parcours d'achat: quelles perspectives ? » is the title of the last white paper written by Andréa Toucinho, European expert in payments and financial services and Director of studies of the French consulting company Partelya Consulting.

This publication has been realized from January to June of 2020 and includes regulatory and strategic studies about the evolution of uses of consumers and retailers in the context of digital. It presents some key insights about the evolution of digital payments:

- Digital payments are not a recent process: it is first linked with payments cards. In addition to this technological evolution, there is a strong institutional ambition: European institutions aim at developing electronic payments for various reasons, and above all to address security concerns.
- The move towards digital uses implies the necessity to foster information and communication about these new tools for consumers. Thus, digital inclusion is a strong condition to ensure the transition towards a real cashless society.
- Payments professionals have to study not only regulatory, technological and strategic conditions but also sociological and economic realities
- Other consideration is the necessity to evolve towards a more efficient experience of payments with a strong attention on the responsibility and the consent of consumers to pay. The idea is that the consent to pay is a key feeling to guarantee the responsibility of consumers and a better money management.
- Whereas yesterday, payment was at the end of the transaction in store, it is obvious that tomorrow, payment will be realised through different ways, in various moments of the customer experience, according to omnichannel strategies linked with new uses, above all in the context of mobility
- The evolution towards digital payments has to be studied by all actors of the market, according to a "co-innovation" model. In this new paradigm strongly linked with new consumption codes, consumers have a strong role to pay, above all thanks to "Millennial" segments.

Over key trend is obviously the sociological evolution: the arrival of "Millennials" in the market of payments and consumption is seen as a new step for innovation. This generation is natively mobile and very linked with social media. That's why it is obvious that it will bring new means of consumption, like the importance of data, or even the relation between social and payments, easily represented nowadays by the strategy of WeChatPay. "Millennials" will accelerate the move of society to digital uses and reinforce the idea that payments are today linked with a global approach. Thus, the use of Uber, Amazon, and other global actors testifies to the idea that digital payments have to be considered by payments company not as a national strategy but as a real global movement.

How **Merchants Are Rethinking** Commerce and Their Digital Footprint

With the global pandemic forcing many physical businesses to close and people to remain indoors, the commerce landscape has been severely impacted. Consumers are often unable or unwilling to shop in physical stores, and traditional payment methods such as paper money are increasingly viewed as potential mediums to transmit the deadly COVID-19 virus. Retailers have responded by changing the way they operate, communicate with customers, and support transactions.

For many retailers, these changes revolve around reimaging their digital footprints and digital outreach strategies. These merchants are focusing on aligning their enterprise around the end-to-end experiences that drive customer satisfaction. Such efforts include modernizing existing systems, focusing on increasing authorization rates, and reducing declines.

To better understand how merchants are responding to COVID-19, PaymentsJournal sat down with Peggy Alford, EVP of Global Sales at PayPal, and Ted Iacobuzio, Vice President and Managing Director of Research at Mercator Advisory Group. During the conversation, Alford and Iacobuzio discussed how merchants are now interacting with their customers, what opportunities and challenges exist, and how PayPal is helping companies navigate this new reality.

How COVID-19 has impacted the way merchants and consumers interact

The most salient trend in the retail world brought on by the pandemic has been the accelerated shift from physical to digital. A digital transformation that was expected to take two years has instead been compressed into just the past two months.

In April, for example, PayPal added about 7.4 million new active accounts to its platform, a monthly record for the company. Pre-COVID-19, PayPal would typically see about 100,000 net new users on its platform each day. Now, this number has shot up to almost 300,000 net new users a day.

The uptick in new accounts has been accompanied by an uptick in volume. May 1, 2020 marked the largest single day of transactions in PayPal's history, eclipsing both Cyber Monday and Black Friday—two of the biggest commercial days of the year. The rise in new users and transaction volume reflect the fact that there is substantial demand for digital payment solutions.

"What that's indicating is the companies we serve are really looking to continue operations and grow their business by shifting to digital," said Alford. With consumer behavior changing, this shift toward digital is more or less a requirement; companies that fail to respond will lose out to those that do.

What consumers want in this changing world

While adjusting to the new retail world imposed by COVID-19, companies need to respond to consumer behavior and expectations. One central desire of consumers is that of choice; they want to be able to transact and manage their money through different methods, whether in person or online. Therefore, companies that support different payment methods, ranging from Venmo to Google Pay, are best positioned to stay competitive.

Consumers also want purchasing power and flexible finance options. Businesses can provide this relatively quickly and without making huge upgrades to existing payment infrastructure. Relatedly, consumers are looking to save money. While this has always been true, the economic insecurity caused by the pandemic has made the desire more pronounced. "It's helpful to support consumers in finding items at prices they can afford through shopping and promotion tools," said Alford.

Safety is another primary concern of consumers. Part of the concern is over physical safety. Many consumers want to avoid cash or key pads because these physical entities could contain pathogens. QR Code-enabled payments and other contactless payment options are therefore a safer alternative.

Consumer concern for safety also extends to their personal information and money. People want to transact with companies they trust. When consumers trust a company, they are more willing to shop there. PayPal's market research indicates that "there's a 50% lift in consumer willingness to buy when PayPal is present at checkout, whether or not they ultimately use PayPal," explained Alford.

Merchants can meet consumer expectations

In order to meet the consumer expectations discussed above, merchants need to shift their focus from physical processes to digital ones. "Businesses and merchants used to think of physical first and digital second," noted Alford. "That mindset has had to shift in order for businesses to survive." As PayPal's volume data shows, that shift is well underway.

Merchants have had to change their strategies to reach consumers. For example, restaurants have embraced carry-out and delivery options, while retailers have turned towards e-commerce and in-store pick-up options.

Alford pointed out that simply offering digital shopping and payment methods is not enough. Companies need to also make these digital methods simple and intuitive; consumers want excellent user interfaces that are easy to use.

The challenges retailers face in shifting digital

Since a lot of merchants have been primarily focused on the physical side of retail, they may be under-invested in digital. For many companies, they may not currently have infrastructure in place to accommodate e-commerce.

"In fact, in a study that PayPal conducted late last year, we found that across all age groups, nearly 80% of the consumers surveyed have shopped via smartphone, yet only 63% of businesses are optimized to accept mobile payment," said Alford. The nearly 15% gap underscores the work some merchants need to do to keep up.

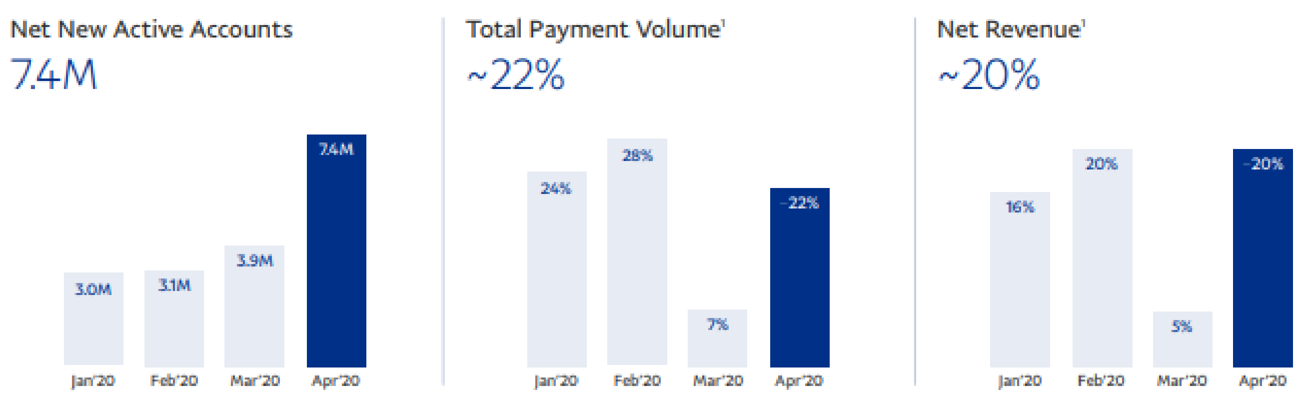
How PayPal is helping retailers pivot to digital

"A full suite of simple solutions, many of which businesses can start using in minutes, can be found on the PayPal homepage by clicking get support for your small business, including how to create QR Codes for contactless payments, selling on social or creating an online store," said Alford.

In addition to this resource page, PayPal has multiple products that can help merchants.

"We recently announced the rollout of an in-app QR Code feature that allows customers and businesses to conduct in-person transactions at a safe distance and touch-free using their PayPal wallet," added Alford. Another example is PayPal's Honey, an application that helps consumers find the best price for an item. Companies that offer consumers this functionality will benefit as a result. PayPal also supports a wide range of payment options, including Google Pay, Apple Pay, Venmo, and the traditional payment methods. Therefore, a company that partners with PayPal can support the many payment choices consumers want in the shifting commercial landscape.

Source: Payments Journal



1. FX-neutral growth rates

Are we heading for a **new consumer debt crisis** following the COVID-19 pandemic?

The World Bank has warned that the coronavirus pandemic has triggered the most widespread global economic meltdown since at least 1870 and risks fuelling a dramatic rise in poverty levels around the globe.

As many as 90% of the 183 economies the World Bank examined are expected to suffer from falling levels of gross domestic product (GDP) in 2020, even more than the 85% of nations suffering from recession during the Great Depression of the 1930s.

Edgar, Dunn & Company (EDC) has a working hypothesis that there will be a larger increase in total consumer debt – both in North America and in Europe. In order to test this hypothesis and assess whether we are actually heading for a new financial crisis of crippling consumer debt, EDC and integrated communications agency Four Communications (Four) have joined forces to leverage Four's proprietary insights methodology – Mapper360®. This tool uses real-time open source and digital data for actionable insights and to understand what matters most and now to key stakeholder and customer audiences across the globe.

As businesses start to re-open following the lockdown and global economies find their way in the 'new normal', marketers need better insight to deliver the right message, about the most appropriate products, services and advice, to the right customers. Understanding how your customers have been impacted from the pandemic provides information for the type of financial products and services they might be interested in and the types of channels and messaging they are most likely to respond to.

Consumer Segmentation

Emerging from the lockdown, there are three main segments of customers. The first segment consists of customers that have been able to remain employed and continue to work from home. This segment belongs to the group that the Bank of England recently described as being able to repay £7.4billion of consumer credit in April, double the repayment in March, which itself was a record repayment. Lack of holidays, lack of commuting and with a shift in spending to essential items only, has meant that many households have been able to redirect available funds and repay their credit card debts and other unsecured loans. According to leading travel and entertainment (T&E) card issuers, cardholders' spending stabilised in April at levels more than 20% below the pre-crisis norm.

The second customer segment is the group that was furloughed and saw a drastic fall in their household income. This segment has to keep an eye out on their outgoings, ensure their household bills are covered and budget diligently. The need to take a mortgage payment holiday or skip one or two full payments of their credit card balance would be predictable behaviour by this segment. Figures from UK Finance published at the end of May 2020 found there had been almost 878,000 payment holidays taken out on credit cards by 21 May and 608,000 on personal loans. An exceptionally high number.

The third and final segment of customers were made unemployed as a direct result of the pandemic forcing businesses to shut down or go into bankruptcy. This third segment are the financially challenged. In April 2020, the second month after COVID-19 containment measures were implemented by most EU Member States, the seasonally adjusted unemployment rate was 7.3%, up from 6.5% in February 2020 (pre-lockdown). The EU unemployment rate was 6.6% in April 2020, up from 6.4% in March 2020.

In the UK, the unemployment rate is 3.9% – an increase of 0.1%. The Office of National Statistics (ONS) showed that the number of people claiming unemployment benefit in the UK has risen to 2.1 million in April, the first full month of the coronavirus lockdown. In Europe, unemployment could double in the coming months, with millions of jobs at risk from permanent cutbacks as well as reductions in pay and hours because of the coronavirus pandemic. The European Commission expects the EU to go into a deep recession this year.

The situation in the US has yet to fully unfold. The total household debt, for example, increased $155 billion, or 1.1%, in the first quarter this year, according to a new report from the Federal Reserve Bank of New York. However, this data point only covers the time period up to the end of March 2020, therefore not fully showing the impact of the COVID-19 pandemic yet.

Greater access to credit – from traditional credit cards to alternative lenders

What does this mean for consumer lending in the post-pandemic world? Pre-crisis, we had seen a growth of instalment payments and buy-now, pay-later options appearing across a wide range of retail sectors, from fashion, travel, to big ticket household products. This was partially as a result of readily available credit to consumers. Companies such as Klarna, Affirm and Afterpay, are some of the leading players in this space. The following graphic only illustrates a sample of the companies that allows consumers to buy goods or services from merchants and pay off those purchases in fixed monthly payments over longer periods. The benefit of using one of these payment options is they don't always charge late fees, service fees, prepayment fees, or any other hidden fees. On the other hand, some providers will charge a fee if a payment is late or a repayment is missed. The APR, loan interest rates range from 10% to 30%.

Providers, such as Afterpay and Klarna, are touted as a new way to pay and different from traditional credit products, such as a credit card. This is particularly appealing to younger consumers who don't have or want a credit card. By selecting these payment methods, the consumer has a set period to pay back the amount in three to four instalments, with no interest. Costs only incur if the consumer fails to make repayments on time. Some of these providers, including Afterpay, do not check the credit history before the consumer applies, but it still reserves the right to report defaults to credit reporting bureaus such as Experian or Equifax.

Another example of a buy-now-pay-later service has come from Apple. When the coronavirus pandemic started to impact the US economy in March this year, Apple, with its card issuing partner, Goldman Sachs, decided to defer payments on the cards to help customers struggling due to job losses and the economic instability. Most recently, Apple has announced that it is preparing to allow customers to buy many of its products, including iPads, Macs and AirPods, over monthly instalments via the Apple Card credit card. The service is also designed to encourage enrolment for the Apple Card and boost sales of Apple products by letting users split up the cost over time.

For merchants, struggling to encourage shoppers out of lockdown and into their stores and to spend what they may not have, extending consumer credit is an interesting proposition, allowing for sales to drop straight to the bottom line whilst effectively outsourcing the debt to third party specialist providers.

What about credit cards?

EDC has modelled the impact that lockdowns, furlough schemes and rising unemployment had on the average values revolved on credit cards across the major European markets. Credit cards are the unsecured lending instruments which are very different compared with the alternative instalment products. The graphic below is the average revolving credit (i.e. the amount not paid at the end of the statement period).

This graph[1] illustrates the results of the modelling and the impact of coronavirus on 10 European markets, using the adjusted GDP forecasts from the European Commission, and categorised them into 'high impact markets' (comprising of Italy, Spain, UK and France), 'medium impact markets' (comprising of Ireland, the Netherlands and Germany) and 'low impact markets' (comprising of Sweden, Norway and Poland). Each category has a different 'COVID factor' assigned, which is used to forecast the increase in the value of credit revolved.

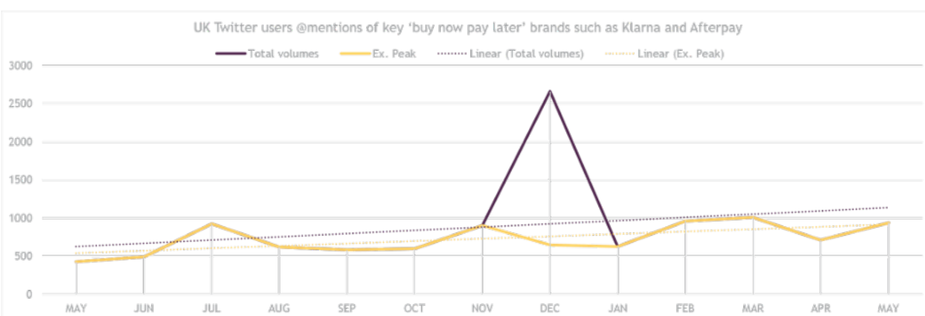
Prior to the coronavirus crisis, the average value of credit revolved per credit card was gradually increasing across Europe. All leading European markets have shown a rapid increase in the value of credit revolved since the coronavirus outbreak. Reduced disposable income of many individuals who have been furloughed or unemployed, and payment holidays taken on credit cards and loans, may have shifted some household spending to credit cards. Countries with a lower average revolving credit before the pandemic are expected to experience less change in consumer behaviour, as shown by Italy, Spain and Germany. Sweden was one of the few markets that did not implement strict lockdowns during the pandemic, with most businesses operating normally. Fewer consumers in Sweden have become unemployed or been put on a furlough scheme and this has proven to be an exception in this sample of markets.

Social Mapping

Four used its Mapper360® benchmark and social listening service to support this analysis of this potential debt crisis. Four was able to look at the volumes of relevant conversations across social media platforms and observed the changes in attitude and sentiment pre-COVID (2019) and post-March 2020 audiences who discussed applying for credit cards or using buy now, pay later products.

When analysing the number of unique authors engaging in the conversation, there was a rise of 68% discussing the topic of consumer credit between March and June 2020 compared to 2019. The following chart illustrates that on average, online conversations around credit applications* have increased by 133% since March, compared to the previous 10 months.

By tracking the leading 'buy now, pay later' brand Four was able to show that Christmas shopping drove a peak in engagement with these brands. Excluding this peak, average volumes show there has been a 31% rise in conversations with these brands since March, as shown below:



Four is able to track a shift in audience segments talking about applying for credit by identifying specific individuals in the UK who are active in the conversation and segment them in 'tribes' based on psychographic data such as behaviours, interests and attitudes.

Segmentation makes it possible to see what really matters to key audiences: the catalysts to their conversation, their priorities and their feelings towards brands, topics and news stories.

The largest tribe focused on general consumer offers and finance chat. There were more writers talking about consumers using credit or consumer rights around financial applications and there was a more active following of and engagement towards retail brands, particularly fashion and beauty products.

By listening to the shifting patterns of social media conversations Four is able to conclude that there has been a 68% increase of unique authors and a common growth of all tribes. There was an emergence of one tribe who almost entirely use social media for customer service. Many were talking about credit type used, credit applications and there was a clear rise in younger contributors.

Striking the balance between operational costs and generating revenue

Edgar, Dunn & Company uses its proprietary methodology called the 360° Payments Diagnostic that assesses the payments strategy of retailers to identify and prioritise cost reduction and revenue enhancement opportunities. The 360° Payments Diagnostic encourages the smart use of payment information as a valuable tool and is a proven process to reduce operational costs, improve revenues and engage customers across all channels, regardless of their preferred payment method. By creating a balance between the cost of payment acceptance and generating commission revenue by working with some of the alternative consumer lenders is a precarious balancing trick.

The Mapper360® benchmark and social listening service from Four offers the opportunity to undertake bespoke research into a particular area or subject or analyse shared moods, attitudes, behaviours or interests – all in real-time and at a significantly reduced cost when compared to traditional research. It can be a valuable tool to gain better insights of customer spending habits and behaviour preferences.

Understanding customer spending behaviour and holistically reviewing all the payment acceptance arrangements, regardless of the payment method, and making sure each element of your payment processing partners is working for your unique business requirements is fundamental for any type of merchant.

Author: Mark Beresford
Source: [Edgar, Dunn & Company]

TSG Commentary: COVID-19 – **What a Difference Eight Weeks Makes**

In early April, TSG published commentary on the impact of the COVID-19 crisis on merchant acquirers. Two months ago, we were seeing a dramatic and overwhelming financial crisis unfolding as the vast majority of U.S. merchant acquirers were being negatively impacted. Some merchant acquirers experienced decreases of more than half of their overall weekly transaction volume – resulting in a direct and devastating impact to their revenue.

At that time, we were seeing merchant portfolios focused on certain industry verticals being hit the hardest. Verticals such as restaurant, hospitality, entertainment and personal services, suffered volume reductions as high as 75% to 80%. On the other hand, some industry verticals were less impacted, and a small minority even experienced an increase in volume and revenue.

We spoke to many acquirers that were furloughing and laying-off staff, cutting back expenses where possible, and preparing for the worst. These actions were in preparation for a long slog before a recovery.

What a difference eight weeks can make.

Electronic Payment Volume Snapback – This week we have interviewed a number of our clients and almost uniformly, they are seeing quite a "snapback" in their processing volume. Two mid-sized acquirers (including one that represents one of the most hard-hit industry verticals) has seen their active clients return to within 5% of pre-COVID-19 rates, and processing volume return to nearly 98% of pre-COVID-19 numbers. For some portfolios, it is looking like a "V" recovery – amazing!

Small Businesses Hiring Leads Larger Firms – Small business hiring is now outpacing that of larger companies, according to the latest LinkedIn Workforce Report. Hiring at businesses with fewer than 200 employees ticked up by 0.4% month-over-month in May, while companies with more than 10,000 workers pared back by 40%. LinkedIn data shows areas that experienced a rebound in small business hiring last month include Miami-Ft. Lauderdale (+5.3%), Dallas-Ft. Worth (+4.2%), Denver (+3.6%) and Philadelphia (+2.1%).

Technology Solutions Help Merchants Pivot– Throughout the past two months we have witnessed an amazing reaction to the needs of merchants and consumers alike. New applications were delivered to merchants to cater to their specific needs as well as those of their customers. Examples include:

- **Touchless QR Signature Apps** – deployed by many cloud-based restaurant platforms, this technology allows dining customers to use their plastic and pay at the table, without a traditional pay at the table terminal solution.
- **Online Restaurant Ordering** – again, several acquirers quickly dispatched online ordering options to assist their restaurant clients in pivoting from dine-in to carry out – which was a lifesaving move to many SMB restaurants.
- **'Pay with Your Face' Is Gaining Traction** – According to the U.S. Chamber of Commerce, this system has been rolled out to a handful of eateries, using Cali Group's facial recognition application, called PopID
- **Buy Now, Pay Later** – This is gaining a lot of traction as acquirers and merchants provide services to assist consumers through the economic crisis and make high-ticket purchases. Companies such as Klarna, Af-

firm and QuadPay are taking advantage of this fast-growing trend.

Those Who Were Able To Pivot Fast Are Winning – An inspiring outcome of the impact of COVID-19 and the resulting economic crisis that gripped the entire world, is the amazing ability for merchants to pivot quickly given the constraints presented and react to the needs of their customers.

- Think dine-in only restaurants adjusting quickly and redesigning their dining space to become a carryout staging platform
- Think clothing retailers, who started using social media overnight to display and sell their merchandise using online payment strategies
- Think healthcare providers that shifted their emphasis from traditional in-office visits to telemedicine strategies and are now selling healthcare products (contacts, orthotics, etc.) via ecommerce, which they may not have even had in place prior to the crisis

Time and time again, we see examples within our AIM platform of companies that didn't just survive the last eight weeks, but actually increased sales and revenue in some cases by pivoting quickly and embracing change.

"Starting to Move" – During calls with TSG clients – particularly since June 1st, many have used similar words to describe that it's "time to restart 2020 and plan for 2021", particularly as their merchant clients have begun to open up and their volumes are increasing – in some cases quite dramatically. June seemed to have brought a major change in attitude for business owners and acquirers alike to embrace change and move forward to tackle the rest of 2020.

Geography Matters – TSG's recent COVID-19 Geographic Snapback Insights detailed the huge differences, key economic headwinds and payments metrics that we believe will profoundly affect the ability of payments performance in states around the U.S. to snapback quickly vs. slowly in comparison to each other.

For instance, among the 10 largest U.S. states by population:

- **April over March Change in Debit & Credit Card Spend** – Ohio had a 20% decrease, while Michigan suffered a whopping 41% decrease in spend. Michigan has twice the "hole" to come back from vs. Ohio.
- **April Over January Percent Change in Unemployment Claims** – Pennsylvania suffered a 903% increase in jobless claims, while Florida suffered more than 5x that increase with a 5,565% increase in claims. That is a huge difference in unemployed workers to get back employed and the socio-economic issues this brings.
- **Paycheck Protection Program (PPP) as a Percentage of Total State Payroll** – 70% of Ohio's Payroll was covered by PPP payments, while only 38% of payroll was covered in California, meaning that a significant share of California's Small/Medium Businesses may not have been able to keep their staff employed throughout the crisis, contributing to decreased consumer spending and lengthening the financial impact.

Again, what a difference two months can make. We will happily take the current recovery trend that we are seeing in June, rather than the "Black Swan" event of April and May we all just collectively experienced – both personally and from a business perspective. Here's to a very robust summer of 2020!

Using a unique combination of analytics and deep industry knowledge, TSG has been assessing merchant acquirers to uncover pain points and revise go-forward strategies. From portfolio benchmarking to risk assessments, TSG is here to help.

Author: Kurt Strawhecker
Source: TSG

Waze to enable **contactless payments at pump**

The COVID-19 outbreak has led to the savage disruption of retail the world over.

Almost overnight, foot traffic in physical stores disappeared, and supply chains were left scrambled. Now at a major fork in the road, many retailers are forced to make tough decisions that were completely unforeseen.

While some global retail giants are laying down their weapons and fers or pay more for it, based purely on perceptions.

Based on these metrics, activewear brand lululemon is the world's fastest growing retail brand for the second year running. Famous for its culture of accountability and global community events, the brand has struck the perfect balance between a seamless online and offline experience.

Explore the 10 fastest growing retail brands of 2020 below:

Interestingly, Walmart holds three spots in the ranking as it also owns Flipkart and Sam's Club. Moreover, the American retail giant purchased a stake in Chinese e-commerce platform JD.com, which has grown from 5%.

Source: The Paypers

PayByFace launches **touchless payments with facial biometrics** in Romania

Romania-based fintech PayByFace has launched a biometric facial recognition-based payments system to Tucano Coffee shops in Bucharest.

The system is developped in collaboration with online card payment processor Euplatesc. The contactless payment system enables any shopper to complete a transaction without using a phone, card, or cash. Customers can sign up for the service regardless of the mobile phone model they use, or what bank issued their payment card, by downloading the PayByFace Consumer app from Google Play or the iOS App Store. PayByFace says the technology improves the customer experience with a convenient, fast and secure process.

The Tucano Coffee in AFI Park Cotroceni shopping mall launched the service on July 17, 2020, and PayByFace will offer it to select commercial partners in Bucharest during the initial three-month launch phase. During that time, the company says it will finetune the app to meet customer and merchant needs.

Source: The Paypers

COVID-19 spurs growth in **digital money transfers**

A third (27%) of consumers are using digital wallets to transfer money to friends and family; two fifths (43%) no longer handle cash

COVID-19 forced many of people to make major adjustments to the way they live, work, and communicate. This inevitably has also affected the way people pay – not only for goods and services, but also how they send money to friends and family - according to specialised payments platform Paysafe's 'Lost in Transaction' research.

Almost a third (30%) of consumers globally said they had given money to friends or family once or twice during the first month of lockdown. A further 20% of consumers made more than two transfers in the month, with 1% doing so at least 11 times. However, they were not using physical means as much to do so, as 43% of consumers reduced their handling of cash due to health concerns.

As a result, digital wallets such as Skrill are becoming the channel of choice for consumers who need to financially support others. With the need for international remittances likely increasing due to global restrictions on movement, 32% of those surveyed stated that they've turned to digital wallets as the quickest, most effective and convenient way to transfer money overseas since lockdown began. Only 15% of consumers said they would use some form of physical payment method to send money overseas during the pandemic.

Paysafe's research demonstrated further ways in which COVID-19 has stimulated a digital shift in the way consumers shop and pay, with 48% of people saying that they will be reducing their cash usage in the future. Additionally, 38% of consumers say they will be shopping online more – even when lockdowns have been fully lifted.

Lorenzo Pellegrino, CEO of Skrill, NETELLER and Income Access at Paysafe, comments: "COVID-19 continues to be a catalyst for change across the whole payments industry. Consumers seem to be switching to digital offerings, signalling a definite shift in consumer preference for truly frictionless payment methods. Even as cash-based money transfer options reopen, preferences towards digital options, induced by the pandemic, are unlikely to subside."

He continued: "A digital remittances solution such as Skrill Money Transfer is far more cost effective than a traditional bank transfer and has become an essential resource for people across the globe during the COVID-19 crisis. As consumer confidence and awareness of the benefits of digital international remittances continues to grow this may well represent a permanent evolution for the remittances industry."

About the research

Paysafe's ongoing Lost in Transaction research reports explore and benchmark payment and financial opinions of both consumers and businesses. Paysafe commissioned Sapio Research to conduct this particular Lost in Transaction study in March and April this year using an online questionnaire. The final results include responses from 8,000 consumers across the UK, US, Canada, Germany, Austria, Bulgaria and Italy (over 1,000 respondents per market).

Source: [Paysafe Group]

Apple acquires softPOS firm Mobeewave

Apple has reportedly acquired Canadian SoftPOS company Mobeewave in a deal which could see iPhone's turned into contactless payment terminals.

Montreal-based Mobeewave lets users accept contactless payments with just their phones, without the need for any external hardware. The firm has agreements in place with National Bank of Canada, Australia's Commonwealth Bank and Polskie Platnosci.

According to reports from Bloomberg, Apple shelled out $100 million for the company. The deal would add an extra inducement for sole traders to switch to Apple, providing a means to accept card payments without the need to acquire a separate card reader from the likes of Square and iZettle.

Mobeewave already has a contract in place to incorporate its technology into Samsung handsets. The Apple rival is also an investor in Mobeewave.

Source: Finextra

Heidelpay to acquire Paysafe's 'Pay Later' business

The heidelpay Group (“heidelpay”), one of Germany’s fastest growing tech companies for international payments, today announces that it has agreed to acquire Paysafe Pay Later, the deferred payments arm of the Paysafe Group (“Paysafe”), for an undisclosed sum.

This latest investment from heidelpay is part of its ongoing strategy to grow its European presence and deferred payments offering for merchants.

Paysafe Pay Later, which formerly operated under the name "Payolution", was founded in 2011. With a geographical focus on the DACH region, Paysafe Pay Later is an omni-channel provider with solutions for both online and bricks-and-mortar retailers wishing to offer white-labelled invoice and instalment payment solutions, as well as bank transfers and direct debits. It is used by a wide range of well-known household names including Decathlon, Teufel and Schuhcenter.de.

Claire Gates, CEO of Paysafe Pay Later, will transfer to heidelpay along with the entire Paysafe Pay Later team, the majority of whom are based in Vienna.

“Paysafe Pay Later is a great company with strong leadership and a talented, experienced team. They have built a deep customer base across the DACH region and are very experienced in developing pay later payment services. This acquisition is an important step in our overall expansion strategy and I look forward to welcoming the Paysafe Pay Later team to heidelpay. I am confident their integration into our Group will become a key part of our growth story,” commented Mirko Hüllemann, founder and CEO of the heidelpay Group.

Philip McHugh, CEO of Paysafe Group, added: “This sale reinforces our strategic direction of focusing on our core payment processing, digital wallets and e-Cash businesses. We believe we have found the right long-term owners for Paysafe Pay Later in heidelpay: they are committed to the deferred payments sector and we wish Claire and the entire team all the very best as they prepare to enter the next phase of their journey."

The acquisition is expected to complete in Q3, 2020, pending regulatory approvals. Until then, the two groups will continue to operate as independent organisations.

Source: Finextra

Paysafe to acquire **Openbucks**

The company's latest investment accelerates the US expansion of its thriving prepaid vouchers and eCash business

London, UK & Houston, USA – Paysafe, a leading specialized payments platform, today announces its acquisition of US-based payment technology company, Openbucks, for an undisclosed sum. Openbucks is a payment gateway that allows online merchants to accept retail gift cards as an alternative form of payment to credit cards, something that is particularly popular amongst online gaming and eSports operators. For Paysafe, this latest investment forms part of its strategy to further expand its cash alternative payment offering in the US, one of the world's largest e-commerce markets with revenue projected to grow from $374bn in 2020 to $476bn by 2024.

Openbucks, which was founded in 2011, enables millions of US consumers who do not have access to credit cards, or who prefer not to share their sensitive financial information online, to pay online using a gift card. It partners with major nationwide retailers, including CVS, who operate the US's largest pharmacy chain, and Dollar General, a popular convenience store operating in 46 states, to offer consumers in over 25,000 brick and mortar outlets to buy the gift cards that can then be redeemed at participating online merchants. Many of its current merchant customers operate in the US gaming and eSports space, which continues to expand rapidly, but the alternative payment method is equally serviceable across multiple shopping and entertainment sectors. It guarantees zero chargebacks to merchants and zero fees to consumers, making it a safe, secure and convenient alternative payment solution.

As part of the deal, the Openbucks team will move across to Paysafe and become part of the company's global eCash division, which is headed up by Udo Mueller. Openbucks founder, Marc Rochman, will also continue as a strategic adviser to Mueller and the team.

"Openbucks is a highly innovative alternative payment solution provider which has built deep distributor partnerships across the US. The cash alternative payment market is a thriving one and we are seeing increased demand from online merchants, who want to enable gift cards as a payments solution in order to reach new consumers, particularly in sectors such as gaming, eSports and entertainment which are very much on the rise," commented **Udo Mueller, CEO of Paysafe's eCash division**.

Philip McHugh, CEO of Paysafe Group, added: "This tuck-in acquisition reinforces our strategy of investing in, and growing our core, specialized payments offering in payment processing, digital wallets, prepaid, and eCash solutions. We're seeing a lot of expansion opportunities in the US marketplace and I am confident that the integration of Openbucks into our Group will become a key part of our US growth story."

Marc Rochman, founder of Openbucks, concluded: "I'm very excited to have signed this deal with Paysafe and look forward to integrating Openbucks into a much larger Group that shares common values, a passion for payment technology and service, and a dedication to providing access to online commerce to everyone, especially the underbanked and unbanked. Now, with the full backing of a global payments provider who is heavily committed to expanding in the US marketplace, the Openbucks vision and strategy will be certain to accelerate, and we will be able to provide a world class alternative payment solution to thousands of additional online merchants."

The acquisition is expected to complete by the end of the month.

Source: Paysafe

Update On Strong Customer Authentication (SCA) **Enforcement Dates**

UK/EU post-Brexit negotiations recently stalled again. Any economic trade deal between is to some extent dependent on both sides maintaining 'continued regulatory alignment' and avoiding 'regulatory divergence'. In the world of payments regulation, there is evidence of the latter taking place. Enforcement of new Strong Customer Authentication rules is a case in point.

The EU's new Strong Customer Authentication (SCA) rules were developed by the European Banking Authority as part of PSD when the UK was firmly part of the EU. Both sides are now diverging on when to start enforcement of these rules that are expected to have a game-changing impact on e-commerce payments.

We have previously outlined the SCA rules and their impact. The key takeaway is that because SCA rules target banks and make them legally responsible and liable for e-commerce payment fraud, merchants no longer have full control of their customers' check-out experience. Under the SCA rules, issuers are required to (1) introduce new security steps – two-factor authentication – on all remote payments to positively confirm cardholder identify at check-out, and (2) decline all non-compliant authorisation requests from merchants that cannot support these additional checks. Hence, the change could potentially cause significant commercial damage to unprepared merchants.

The rules were due to be subject to full regulatory enforcement action from 14th Sept 2019. However, for various reasons the industry was not ready to make the change so the date was extended to allow more time for the industry to fully prepare. The date was extended to 31st Dec 2020 across the EU apart from in the UK where the FCA – the UK's national competent authority and financial regulator – decided to allow for an extra 3 months and set the date to the 14th March 2021.

Back in Sept 2019, this extended timeline was considered by most industry stakeholders to be ample. However, the unprecedented impact of COVID-19 has – one would think – altered this view.

Accordingly, the UK's FCA was reasonably quick to react and publicly announced, on 30th April, a further 6-month extension to the SCA enforcement date. Hence, full regulatory enforcement action will start after 14th Sept 2021. The FCA said:

"In the exceptional circumstances of the Covid crisis, we are giving the industry an additional 6 months to implement strong customer authentication (SCA) for e-commerce. This will minimise potential disruption to consumers and merchants. The new timeline of 14 September 2021 replaces the 14 March 2021 date. …After 14 September 2021, any firm that fails to comply with the requirements for SCA will be subject to full FCA supervisory and enforcement action".

By contrast, after much lobbying from the e-commerce industry requesting a similar extension, the European Commission communicated in a letter to a number of e-commerce industry participants on the 17th June 2020 that the 31st December 2020 enforcement deadline for SCA remains and will not be extended as a result of COVID-19 crisis.

The letter, sent by Valdis Dombrovski (Executive Vice-President of the European Commission), puts forwards several factors in support of the EC's decision not to extend:

"[The] rules on Strong Customer Authentication have been known to the market since at least November 2017 and clarified at multiple occasions by the EBA, either with targeted guidance or through its Q&A tool."

"The EBA already addressed some of this operational challenges through its statement of March 25 2020, lifting the first deadline for national competent authorities' obligation to report by March 31, 2020, on industry's readiness to meet the Strong Customer Authentication requirements for ecommerce card-based transactions."

"The Covid-19 pandemic has increased the volume of e-commerce and consequently of online payments. It can be expected that many EU consumers will maintain these new payment habits. This would call more than ever before for robust and innovative strong authentication methods. Delaying them further could undermine customer trust in ecommerce, and slow down the deployment of new and innovative state-of-the-art authentication methods in the EU."

So, what was a 3 month 'regulatory divergence' between the EU and UK, has now become 9 months. The SCA saga will no doubt continue and it provides some insight into the Brexit challenges faced by the UK and EU in agreeing on economic trade deal.

But back to SCA. The European merchant community now has under 6 months to prepare for the SCA enforcement deadline. An extremely tight timeline further compounded by the critical Q3/Q4 retail selling season which normally sees a suspension of IT projects on e-commerce websites from November till January.

So what are the consequences of not being compliant? What does it mean in practical terms?

For merchants, the key thing to remember is that if you are not able to support an issuer SCA procedure, the issuer will be legally required to decline your payment requests. A payment decline means a checkout can not be completed, the sale is lost and the customer is unhappy.

Most industry surveys suggest that, for the most part, issuers and acquirers will be ready. But the long tail of e-commerce merchants may not be. Part of the problem is that merchants are at the receiving end of the payment value chain and there is a tendency for merchants to be very reliant on their payment providers (PSP) and to assume they are being adequately looked after.

The reality is that PSPs are at different states of readiness themselves. Many will be relying on basic solutions to achieve a minimal level of SCA compliance. This does reduce some of the non-compliant payment decline risks, but these 'Band-Aid' solutions are far from optimal and will result in extra customer checkout friction and a poor customer experience which have historically resulted in rising abandoned checkouts.

Checkout abandonment can cause significant commercial damage to merchants in terms of lower conversion rates, lost sales, customer dissatisfaction, negative word of mouth, loss of loyalty, negative social media, etc.

EDC is supporting merchants to prepare for SCA starting with proactively checking and evaluating what SCA solution their PSPs are using, checking for any compliance blind spots and assessing the actual 'SCA revenue at risk'.

EDC is also supporting clients to go beyond pure SCA compliance to achieve greater levels of transformation of their business. Forward-thinking clients see SCA, not as a compliance exercise nor technical problem but a commercial opportunity. EDC is supporting them to define and implement an SCA strategy with the goal of developing a best in class SCA customer experience that will deliver competitive advantage with which to drive desired commercial outcomes.

Author: Martin Koderisch
Source: Edgar, Dunn & Company

Measuring **Ecosystem Readiness** for SCA

Recently I shared Microsoft data on ecosystem readiness for Strong Customer Authentication (SCA) with the payments community in a Merchant Risk Council webinar. Here I share more details on our methodology. My hope is other merchants and industry stakeholders will report similar data based on their own testing, and so strengthen our ability to advocate for sensible policy decisions, starting with a Payment Services Directive (PSD2) enforcement delay.

As an eCommerce merchant we evaluate ecosystem readiness for SCA through EMV 3-D Secure (3DS) in the following categories:

- Enrollment
- Frictionless Performance
- Challenge Performance
- Browser vs App Performance
- Authorization Performance

Enrollment

Issuers are required to enroll their card ranges (BIN) with each of the card network Directory Servers (DS). If a BIN

- Measured by ARes. transStatus=[Y, A]

The DS can perform stand-in processing (Attempts) for issuers who are not ready to process authentication requests through their own Access Control Server (ACS). Both Visa and Mastercard have auto-enrolled issuers for stand-in processing. Under normal conditions the DS will not need to stand-in for the issuer/ACS very often - the Attempts stand-in rate will be low. A high **frictionless authentication stand-in rate** suggests an issuer is not ready for EMV 3DS.

- Measured by ARes.transStatus=A

is not enrolled with a DS then the DS cannot process an authentication request. Under normal conditions all the issuer's BINs will be enrolled for 3DS. A merchant can check whether a BIN is enrolled prior to initiating an authentication request. A merchant can therefore see which BINs are enrolled and which are not.

- **Bin enrollment is measured by the Preparation Response Message (PRes) obtained by the merchant's 3DS Server.**
- **Bin enrollment** is measured by the Preparation Response Message (PRes) obtained by the merchant's 3DS Server.

Some issuers require their customers enroll for SCA, others will auto-enroll. Enrollment may be required to obtain or confirm a customer's mobile number used to deliver the One Time Password (OTP) during SCA. If a customer is not enrolled then an authentication attempt will fail. Under normal conditions a majority of customers will be enrolled for SCA.

- Customer enrollment is measured by Authentication Response Message (ARes) ARes.transStatusReason=13 (Cardholer not enrolled in service).

Frictionless Performance

With EMV 3DS issuers are expected to step up high risk authentication requests and challenge the customer with a second authentication factor. This means that authentication requests that are not stepped up are lower risk and should be approved at a high rate. Under normal conditions the **frictionless authentication success rate** will be high. Only those transactions which the issuer is certain are fraudulent should receive a frictionless decline. If the issuer is unsure they should step up to challenge.

Challenge Performance

With EMV 3DS issuers are expected to approve or decline the majority of authentication requests without a step-up challenge (frictionless authentication). It is an explicit goal of EMV 3DS to reduce friction in the customer purchase experience, and the card networks have published guidance to this effect. Issuers are expected to make a risk-based decision using data elements supplied by the merchant with the Authentication Request Message (AReq). Under normal conditions only high risk authentication requests will be stepped-up to challenge. The majority of authentication requests should be approved or declined in a frictionless fashion. A high **challenge rate** implies unnecessary friction in the customer purchase experience and exposes merchants to challenge abandonment and lost sales.

- Measured by ARes.transStatus=C

In an ideal world all challenges would succeed, except for those instances where fraud is attempted and the challenge thwarts the fraudster. However, because challenging the customer with a second authentication factor adds friction to the customer purchase experience, actual challenge success rates may be lower than that explained by fraud alone. Several factors influence the outcome, including how well the challenge experience is implemented and whether customers understand and trust what they're being asked to do. Regardless, under normal conditions the **challenge success rate** will be high and in line with historical fraud rates.

- Measured by Results Response Message (RRes) RRes.transStatus=Y

A challenge could fail for various reasons. Perhaps a fraudster was thwarted and unable to successfully authenticate, or perhaps the customer was unable to obtain the OTP or entered the OTP incorrectly, or perhaps the customer was confused by the challenge experience. The EMV 3DS message protocol allows us to identify when a customer abandoned the challenge vs some other decline or error condition. Abandoned challenges are important to merchants because they are suggestive of customer confusion or poor implementations. Under normal conditions the **challenge abandonment rate** will be low.

- Measured by RRes.transStatus = [N,U,R] and RRes. challengeCancel = [01]

Challenging a customer for a second authentication factor adds latency to the customer purchase experience. If a customer is confused or the implementation doesn't offer a seamless experience it will take longer for the customer to complete the challenge sequence, if they complete it at all. The **average time-to-complete authentication** (ATA) is an important metric that signals a favorable (short) or unfavorable (long) challenge experience.

- Measured by the elapsed time to successfully complete the authentication sequence (PReq/PRes, AReq/ARes, CReq/CRes, RReq/RRes).

Browser vs App performance

EMV 3DS has different implementations for browser vs app platforms. We've seen inconsistent performance between browser and app . Under normal conditions both **browser and app** implementations will perform well across all indicators.

- All of the previous indicators should be measured separately for browser and app scenarios.

Authorization performance

EMV 3DS promises to improve authorization approval rates because issuer risk systems are confident that a customer who completes authentication does not represent a fraud risk. This requires issuer risk and authorization systems to use the rich data provided during authentication, as well as the results of the authentication. Under normal conditions **authorization approval rates** will be higher with frictionless authentication approval and highest with step-up challenge authentication approval.

Author: Dean Jordaan
Source: Linkedin

Microsoft SCA Testing Results

Since September 2019 Microsoft has been testing Strong Customer Authentication (SCA) in Europe. In a previous article I shared details on what we measure - our KPIs. Here I share our testing results in the form of a scorecard, with summary observations. My hope is other merchants and industry stakeholders will share similar data based on their own testing, and so strengthen our ability to advocate for sensible policy decisions, starting with a Payment Services Directive (PSD2) enforcement delay.

Testing methodology

Since September 2019 Microsoft has continuously submitted a small, random percentage of our customer initiated transactions for authentication over EMV 3D-Secure (3DS). Microsoft has multiple ecommerce storefronts, some are web-based (browser) and some are Xbox console-based (app). We support EMV 3DS v2.1 only, and do not attempt authentication using 3DS v1. We do not apply any acquirer exemption flagging (e.g. low-value, transaction risk analysis) to either authentication or authorization. The testing results are for Visa and Mastercard cards only.

Our scorecard measures Microsoft results and therefore reflects Microsoft's business profile and customer base.

Shopping on the Xbox Console

EMV 3DS supports distinct app-based and browser-based implementations. As a merchant your shopping experience could be through an app on a smartphone, or through a web site (browser). Microsoft has both. We have browser-based shopping (e.g. microsoftstore.com) and app-based shopping, except our app implementation is not on a smartphone; its on the Xbox console.

This puts Microsoft in a somewhat unique position (along with other console providers like Sony) and you should keep this in mind when looking at Microsoft SCA testing results (app-based). A customer typically needs a second device to complete a challenge via the Xbox console, e.g. to retrieve the One Time Password/PIN (OTP) via SMS or email. This adds tremendous friction to the checkout experience. Other merchants with app-based implementations on a smartphone won't have this problem.

Therefore I'd expect Microsoft's SCA testing results for app-based authentication to be worse than most other merchants. Microsoft's SCA testing results for browser-based authentication should be more comparable to other merchants.

Scorecard

- Microsoft SCA Scorecard - July 2020
- Microsoft SCA Scorecard - June 2020

Observations

1. Issuers have yet to enable SCA in some markets, for browser, app or both - ESP, EST.
2. Challenge success rates are low to very low. This means merchants lose sales and customers cannot get the goods and services they want.
3. Customers abandon checkout at high rates when challenged. This suggests customers are confused, don't like the authentication method, and/or encounter poor implementations of SCA.
4. Even a successful challenge takes a long time to complete, especially for app. This suggests that significant friction is added to the customer purchase experience.
5. Issuers rely heavily on Visa/Mastercard for authentication stand-in. This suggests that issuers are not ready with their own implementations of EMV 3DS.
6. Authorization approval rates worsen with authentication stand-in. This means that merchants are penalized for lack of issuer readiness.
7. Authorization approval rates improve when the challenge succeeds. A bright spot, this suggests the payments ecosystem can deliver on the promise of SCA.

SCA readiness is more than just EMV 3DS enablement, it is about performance as well. Based on current testing results, the ecosystem has some ways to go.

Author: Dean Jordan
Source: Linkedin

EPI: The European Payments Initiative

Major Eurozone banks start the implementation phase of a new unified payment scheme and solution, the European Payment Initiative (EPI)

Today, a group of 16 major European banks from five countries (Belgium, France, Germany, the Netherlands and Spain) paved the way for the future launch of the European Payments Initiative (EPI).

The ambition of EPI is to create a unified pan-European payment solution leveraging Instant Payments/SEPA Instant Credit Transfer (SCT Inst), offering a card for consumers and merchants across Europe, a digital wallet and P2P payments. The solution aims to become a new standard means of payment for European consumers and merchants in all types of transactions including in-store, online, cash withdrawal and "peer-to-peer" in addition to existing international payment scheme solutions.

A pan-European payment solution to bring concrete benefits to European merchants and consumers

EPI's objective is to offer a digital payment solution that can be used anywhere in Europe and to supersede the fragmented landscape that currently still exists. In doing so, EPI founders are responding to merchant and consumer communities that have been calling for payment initiatives to take a more pan-European approach.

EPI will first and foremost benefit European citizens, possibly boosting innovation in the world of payments. More than 50% of retail payment transactions in Europe are still done by cash today. The EPI solution will also bring tangible benefits to European merchants, by offering them a seamless, competitive and unified payment solution for the whole of Europe that is also available to all European consumers.

EPI aims to support the strengthening of the Single Market and the European digital agenda

In addition, the creation of EPI will support the implementation of the political agenda for both European public institutions and national authorities, in particular through the creation of a truly European solution in the fields of payments, banking and technology. Existing digital payment solutions are fragmented in Europe and European citizens are still unable to pay digitally everywhere. Moreover, the Covid-19 crisis has underlined the need for a unified European digital payment solution. In this sense, EPI also aims to align the European payments ecosystem of banks, merchants and acquirers / payment services providers, thereby contributing to strengthening of the Single Market and the European digital agenda.

The beginning of the implementation phase is expected to materialize in the coming weeks through the creation of an interim company in Brussels, Belgium, which will set out clear deliverables including the completion of the technical and operational roadmap and initiating the implementation work to achieve a best-in-class user experience. The accomplishments of this Interim Company will be evaluated by each bank before moving on to the EPI's final corporate structure.

Other payment service providers are invited to join the initiative. Until the end of 2020, a window remains open for European market players, individual banks or banking syndicates, as well as third-party payment service providers to apply and join EPI as a founder. EPI is expected to enter the operational stage in 2022

About EPI:

The European Payments Initiative (EPI) aims to create a unified pan-European payment solution.
Its founding members to date are:

Source: Credit Agricole

European payments: The European Commission welcomes the initiative by a group of **16 banks to launch a European payments initiative (EPI)**

The European Commission welcomes the agreement reached today by 16 major Eurozone banks from Belgium, France, Germany, Spain and the Netherlands towards the creation a unified payment solution for consumers and merchants across Europe.

The Commission, which will adopt later this year its own strategy for retail payments in Europe, fully supports the European payments initiative as a new, ambitious and European project. The Commission believes that EU citizens and businesses should benefit from fast, efficient and reliable payments solutions. The European payments initiative – EPI would be a critical and decisive step in that direction.

Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People said: "The European payments initiative fits into our ambition that European consumers and businesses should have access to fast, efficient and competitive payment solutions. I hope banks from other countries, innovative European fintechs and other European payment service providers will join the first 16 members, bringing their own expertise and assets to this ground-breaking project, and making it even more innovative and competitive at global level".

The Commission welcomes the invitation made by EPI to European market players, individual banks or banking communities, as well as third-party payment service providers to apply and join EPI as a founder.

EPI is now launching its implementation phase. It is expected to become fully operational in 2022.

Source: European Commission

Wirecard Scandal

Wirecard auditors say 'elaborate' **fraud led to missing billions**

Wirecard AG's long-time auditors, Ernst & Young, accused their client of "an elaborate and sophisticated fraud" that allowed more than $2 billion to go missing.

Now that Wirecard has filed for court protection from creditors, the accountants who signed off on the fintech firm's books for a decade are rejecting responsibility for their role in the debacle and preparing for the inevitable avalanche of lawsuits.

"Ernst & Young bear responsibility for this," said Neil Campling, an analyst with Mirabaud who has had a price target of zero on Wirecard since March 2019. "They were defrauded like everyone else but, as auditors, they should have looked through it. It is amazing that they signed off on the 2018 account."

EY, as the accounting firm is officially known, finally sounded the alarm last week, when they refused to sign off on Wirecard's 2019 financial report. (The firm remains the auditor of record). That set off a cascade of events that started with Wirecard admitting it couldn't locate billions of euros in cash, followed by the ousting and arrest of former Chief Executive Officer Markus Braun (pictured) before Thurs-

day's insolvency filing.

Wirecard declined to comment.

In its statement, Ernst & Young said Wirecard provided "false confirmations and statements with regard to escrow accounts" in the audit for 2019.

"There are clear indications that this was an elaborate and sophisticated fraud, involving multiple parties around the world in different institutions, with a deliberate aim of deception," said EY Germany, adding that "even the most robust and extended audit procedures may not uncover a collusive fraud."

'Frightening'

"It is frightening how long Wirecard AG was able to operate without being objected to by the auditors," Wolfgang Schirp, a lawyer who has filed suit against EY on behalf of investors, said in a statement. Schirp's claim, which was filed this month before the fraud was disclosed, alleges that EY failed to flag that 1 billion euros in assets were improperly booked in 2018.

VEB, an association that represents private and institutional European investors, says it's also preparing legal action against EY, which it expects to file in Germany in the coming weeks. German Finance Minister Olaf Scholz has said "auditors and regulators don't seem to have been effective here."

First engagement

Ernst & Young's engagements with Wirecard date to a review of its 2007 books, which were the subject of an investor lawsuit claiming the published results were misleading. The London-based auditor gave the company a clean bill of financial health and subsequently signed off on more than 10 years of the company's results without raising significant concerns.

During those years, Wirecard grew from a niche payments service to the pinnacle of corporate Germany — membership in the exclusive Dax 30 index. Its collapse is shaping up to be one of Germany's biggest accounting scandals ever.Separately, auditing firm KPMG also probed allegations about accounting irregularities into Wirecard, but said in late April it was unable to obtain the data needed to confirm past revenues, and criticized the payment processor for internal "shortcomings" and unwillingness by its third-party partners to contribute to the report.

Some investors are irate that EY didn't seek to clarify previous public statements by Wirecard, which they said misled the market about the extent to which the audit could find more issues.

Braun, the former CEO, told investors in April that "E&Y informed us this morning that they have no problem at all to sign off the audit 2019," according to a Financial Times report published several days later.

Silence criticized

Later in May, Wirecard said in a statement that Ernst & Young "has informed Wirecard AG that all foreign auditors have meanwhile been able to finalize their audit procedures" and that it had not yet been informed of any material findings though, not all audit procedures had been completed.

"We feel EY should have explained to the market that they weren't done with the audit yet," Paul Koster, CEO of VEB. "It was amazing that EY just let this comment slip," he said, adding the comments led investors to make decisions on selling or buying Wirecard stock they otherwise wouldn't have.

After EY took over work on the company's accounts, it assigned the annual review to various sets of auditors throughout the years.

EY and KPMG belong to the so-called Big Four accountants, which all have come under criticism in the U.K. Several instances of firms' failure to flag the struggles of companies prior to bankruptcies have brought calls to break up their audit and consulting units.

The Wirecard scandal has prompted calls by liberal and green Members of the European Parliament, including Luis Garicano and Sven Giegold, to change European auditing rules; in particular, they cite perverse incentives that arise when audited companies can freely hire and dismiss their own auditors.

“As a result, accounting firms have strong incentives to please their customers rather than to exercise scrutiny,” the lawmakers said.

Authors: Natalia Drozdiak, Steven Arons, Sarah Syed
Source: Accounting Today

Wirecard Scandal: Transparency Germany Calls for Reform of Financial Supervision and **Better Protection of Whistleblowers**

In response to the Wirecard scandal, the anti-corruption organization Transparency International Germany is calling for a fundamental reform of financial supervision and a comprehensive whistleblower protection law. The Wirecard scandal is not only a matter of damaged reputation, but reveals structural problems in the German legal system. The case has caused considerable and avoidable economic damages and has shown the lack of legal protection whistleblowers face in Germany.

Wirecard is not an isolated case. Considering the number of past scandals, it is not surprising to find out that the responsible supervisory authorities have not been taking consistent and action against fraud. For example, the Federal Financial Supervisory Authority (BaFin) and the German Financial Reporting Enforcement Panel (DPR) did not fulfill their legal mandate. Wirecard’s auditors Ernst & Young have clearly been turning a blind eye to Wirecard’s balances for far too long.

As Stephan Klaus Ohme, Head of the Working Group Financial Affairs at TI Germany, explains:

"Financial supervisors, auditors, creditor banks, analysts, fund managers and politicians - they are all facing a huge dilemma. This case raises many questions: Is Wirecard only the tip of the iceberg? What other risks may arise from the increasing shift of public services to private sector providers? How we ensure that powerful interest groups do not undermine the effectiveness of legislation?"

The Wirecard example also reveals considerable gaps in money laundering supervision: according to research by the FAZ, none of the German supervisory authorities consider themselves responsible for preventing money laundering by the holding company Wirecard AG. Considering Wirecard’s annual transaction volume in the three-digit billion Euro range, this is as surprising as it is frightening. In addition to a reform of the financial supervisory authorities, the auditing companies that shirked their duties of due diligence, and thus caused major damage to investors and the society also must be held legally responsible.

Lack of follow up on insider information

Whistleblowers are indispensable in uncovering grievances and criminal offences - as in the case of Wirecard: there had been indications of accounting irregularities since 2008. However, while Wirecard has only been under investigation for several months now, BaFin has taken vigorous action against several whistleblowers and journalists. In the meantime, the financial supervisory authority confirmed that it had already received insider information on irregularities at the end of January 2019. During past scandals such as Cum-Ex, there were also cases of whistleblowers who were not taken seriously or ignored.

Louisa Schloussen, Head of the Working Group on Whistleblowing of Transparency Germany, emphasizes:
"The Wirecard scandal shows that even the frequently praised whistleblower procedure of BaFin is not sufficient. The authorities must take follow-up action and promptly inform the whistleblower of the measures taken. The BaFin should also not have remained inactive for a year. This standard is also called-for by the EU Whistleblower Directive; however, a one-to-one implementation in Germany is not enough. The German legislation must draw up a comprehensive law for the protection of whistleblowers that also covers the reporting of violations of national law."

Source: Transparency

Wirecard – has the **German financial regulator lost its immunity?**

The German regulator BaFin is being sued for abuse of authority following one of the biggest fraud scandals of the decade with German payment processor, Wirecard AG, filing for insolvency owing €3.5 billion and its chief executive arrested on suspicion of accounting fraud and market manipulation. This article looks explores the situation and considers the need for change.

Valued at over €20 billion less than 2 years ago, the financial technology group's share price plummeted by a dramatic 95% in a matter of days in June this year, before the company ultimately succumbed to its fate after repeatedly failing to explain its accounts. This rapid decline occurred after it came to light that the company had deceived shareholders and creditors about the company's balance sheet, allegedly inventing €1.9 billion assets that executives have since admitted probably does "not exist".

After the first suggestion of balance sheet irregularities arose in 2008, Wirecard AG appears to have successfully misled investors, its auditors EY and the regulator, the German Federal Institute for Financial Services Supervision ("BaFin"), for over a decade. In 2015, the Financial Times began publishing its House of Wirecard series, in which it raised doubts about the legitimacy of the group's accounts. Wirecard AG responded to the criticisms with allegations that this was an attempt to manipulate share prices.

However, Wirecard AG had, it appears, been falsifying documents, and had invented €1.9 billion that it said were held in escrow accounts in two banks in the Philippines. These banks have since denied having any relationship with the company. This deception was an "elaborate and sophisticated fraud" according to EY, after they were unable to verify the €1.9 billion when conducting an audit of the group. The big four firm is now under intense scrutiny and criticism for its handling of the company, as is the German Regulator, BaFin, for its inaction. Both now face legal action; the former facing a class-action lawsuit brought by investors, and the latter facing allegations of inadequate investigation and supervision.

In the UK, in order to safeguard customers' money in the wake of Wirecard AG's collapse, the Financial Conduct Authority ("FCA") imposed heavy restrictions on one of the company's subsidiaries, Wirecard Card Solutions ("Wirecard UK"), including a prohibition on carrying out regulated activities or disposing of any assets or funds. This had a large knock-on effect for companies, such as prepaid credit card issuer, Pockit, and their customers, who relied on Wirecard UK's payment processing services. The FCA has since removed most of these restrictions, but Wirecard UK remains unable to transfer its own assets and is subject to restrictions on where it is authorised to hold customer funds.

The BaFin and EU response

The German regulator has come under intense scrutiny since the scandal was revealed. While there has been some commentary about BaFin's limited prosecution and investigation powers, there are widespread allegations that that the regulator was intentionally protecting Wirecard instead of conducting proper investigations.

The head of BaFin tried to defend its omissions by telling German MPs that the regulator's ability to act was limited because Wirecard was classified as a technology company rather than a financial services provider – so even though BaFin supervised "Wirecard Bank" (the deposit-taking part of the group), Wirecard itself was considered by BaFin to be outside its remit. This explanation in itself has highlighted the deficiencies in the regulator's approach.

The EU's financial watchdog, the European Securities and Markets Authority ("ESMA"), is currently investigating BaFin's handling of the Wirecard affair. In addition, Valdis Dombrovskis, Vice-President of the EC, has announced a review of ESMA itself to determine whether any restructuring (financially and operationally) is required in order to strengthen defences against fraud in the EU.

Investor action against BaFin

In a very unusual step, a class action has been filed in Frankfurt on behalf of Wirecard investors against the German regulator BaFin for "abuse of office" in relation to its failure to investigate Wirecard. A statement by Tilp, the German law firm representing investors, explained that:

"In our view, BaFin grossly neglected its statutory tasks

and powers by refusing to pursue investigations of its own against Wirecard AG for market manipulation, while taking biased action against journalists and short sellers even though the agency was fully aware of the media reports about massive irregularities at Wirecard AG."[1]

This is a significant development because (like many regulators internationally) BaFin is protected by an immunity (referred to in German law as a "liability privilege") which generally prevents any action against it. However, a German Court has previously recognised that the immunity does not protect BaFin from liability in cases in which an abuse of authority has been committed.[2] Andreas Tilp of Tilp announced that they will be relying on this point in the Wirecard class action:

"In particular, our analysis shows that Section 4 paragraph 4 of the Act on the Federal Financial Supervisory Authority (FinDAG) is not applicable here. The reason is that the adjudication handed down by the Federal Court of Justice has recognized that this particular rule of law does not serve to protect BaFin from liability in cases in which an abuse of authority was committed"[3]

FCA immunity in comparison

Like BaFin, the UK financial regulator, the FCA, has statutory immunity under the UK Financial Services Act 2012 ("FSA").[4] However (unlike BaFin), there are explicit legislative carve-outs, albeit very limited ones, which mean that the FCA does not benefit from the immunity if the relevant act or omission was:

- in bad faith; or
- in breach of Section 6(1) of the Human Rights Act 1998, the FCA has acted in a way which is incompatible with the European Convention of Human Rights.[5]

While there have been previous attempts to sue the FCA under the Human Rights Act in the European Court of Human Rights,[6] there have been no reported attempts to utilise the FSA carve-outs in litigation against the FCA. If a Wirecard-esque scandal occurred in the UK – with a repeat of such extreme failings on the part of the FCA – it might be that investors would try to rely on the bad faith route in order to make a claim against the FCA.

The need for change

The class action against BaFin has put a spotlight on regulators' immunity where there have been allegations of gross failings in regulatory duties.

More broadly, the Wirecard saga has been a wake-up call for the German financial system and ESMA's supervisory powers.

Authors: Anna Battams, & Isobel McNaught
Source: Collyer Bristow

Industry reports

PARTNER. ADVISOR. CATALYST.

MPE 2020: Creating Value Through Payments Innovation

APRIL 2020

Ron van Wezel

Download the report here

The Local Checkout Experience:

An eCommerce Blueprint For Increased Cross-Border Sales, and a deep dive with M-Pesa in Africa

Sponsored by: Rapyd

In collaboration with m-pesa

Successful ecommerce merchants must attract, retain, and delight consumers across the entire customer journey. The boom in cross-border ecommerce is a major opportunity for retailers to convert new customers and expand into new markets. Fifty-seven percent of global online consumers are now cross-border shoppers. Yet, friction and trust in the checkout process are the top reasons shoppers don't complete their purchases. The proliferation of local payment methods and regulations is creating untold complexity for online merchants.

Speakers & Panelists

Volker Schloenvoight
(Moderator)
Director,
Edgar, Dunn & Company

Brendan Miller
Head of Product Marketing
Rapyd

Tom Vanneste
Principal Commercial Manager
M-Pesa, Vodafone

Download the webinar here

SRC and Network Tokenization as upcoming technologies to improve the checkout experience

Sponsored by:

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Having implemented SCA according to PSD2 with all new features that 3DS 2.2 brings to the table, new upcoming technologies enhance the customer experience and improve the conversion rate even more. EMVCo has defined a new standard for guest checkout situations, called "Secure Remote Commerce". The networks also recommend tokenization in e-commerce, which allows improving the consumer experience when registering payment credentials in a Card-on-File environment.

This webinar will outline these new technologies and what opportunities they bring to merchants, PSPs and acquirers. In addition, it will explain the concept of SRC, scheme tokenization to keep payment credentials up to date, as well as push and pull provisioning.

Speakers & Panelists

Alan Moss
(Moderator)
Head of Fintech & Payments
BlueSpecs

Andreas Halbmayr
Senior Product Manager Digital Payments
Netcetera

Kurt Schmid
Marketing & Innovation Director Secure Digital Payments
Netcetera

Download the webinar here

A Match Made in... Berlin - MPE SUCCESS STORIES

In this episode, Alan Moss interviewed Jarkko Anttiroiko at the MPE 2020 conference about the successful partnership between start-up and established payment provider that started three years ago at MPE 2017 conference.

Finnish Enterpay and German VR Payment entered into a successful partnership after meeting at the MPE 2017 conference in Berlin. From the stage at the MPE conference, Jarkko Anttiroiko, CEO of the Finnish fintech startup Enterpay shared his story and views on the future of B2B e-commerce with the audience. And what Jarkko Anttiroiko told sparked the curiosity and interest of the German banking group.

In this podcast Jarkko reveals his journey to this partnership. The issues that Jarkko Anttiroiko raised and Enterpay's solution resonated well with VR Payment, who reached out to Enterpay directly after the presentation. The two parties quickly decided to explore the options for collaboration. Now the partnership between VR Payment and Enterpay is in place and the first joint product has been brought to market.

Things you will learn in this episode:

- The story of succesful partnership between start-up and established payment provider: key milestones in a product launch in 2019, achievements and the lessons learned
- How to launch the payment innovation on European markets in cooperation with local merchants and financial services providers?
- Future trends in verifying a customer's identity.

Alan Moss (Host)
Head of Fintech & Payments
BlueSpecs

Jarkko Anttiroiko
Co-Founder & CEO
Enterpay

Listen to podcast here

Talent Management **Challenges in Payments**

Talent management & People power took centre stage at MPE2020 conference, with the launch of its first dedicated panel sessions on 'People for Payments'. The overall feedback from MPE2020 speakers underlined the role of talent management which is becoming much more important for the entire payments ecosystem.

Competition to secure talent is intensifying, as merchants and payments companies increasingly seek to gain advantage and differentiate themselves through their 'people talent'. This creates a challenge for many organizations, as they seek to fill key roles and to source, develop, and retain individuals with desirable skills.

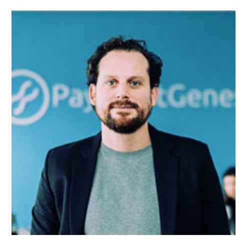
In this episode you will learn from seasoned payment professionals about:

- the biggest talent management challenges payment providers face in 2019/2020
- leadership/people: What is the type of people that are needed for the future of this ecosystem
- the challenges of bringing talent across sectors and geographies
- the new positions needed in the merchant payments ecosystem
- what is missing in the industry at the moment? The most difficult roles to fill-in and skillset necessary now

Alex Rolfe (Host)
Managing Director and Editor in Chief at Payments,
Payments, Cards & Mobile

Simon Stokes
Senior Partner, Payments & FinTech
Greenings International

Thijs Moser
Head of Global and DACH
PaymentGenes



Camile Laupman
Co-Founder
PaymentGenes

Listen to podcast here

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