

"Adding Value for Merchants"

**EFMA Cards & Payments 2007
Single Euro Payments Area: Crunch time!**

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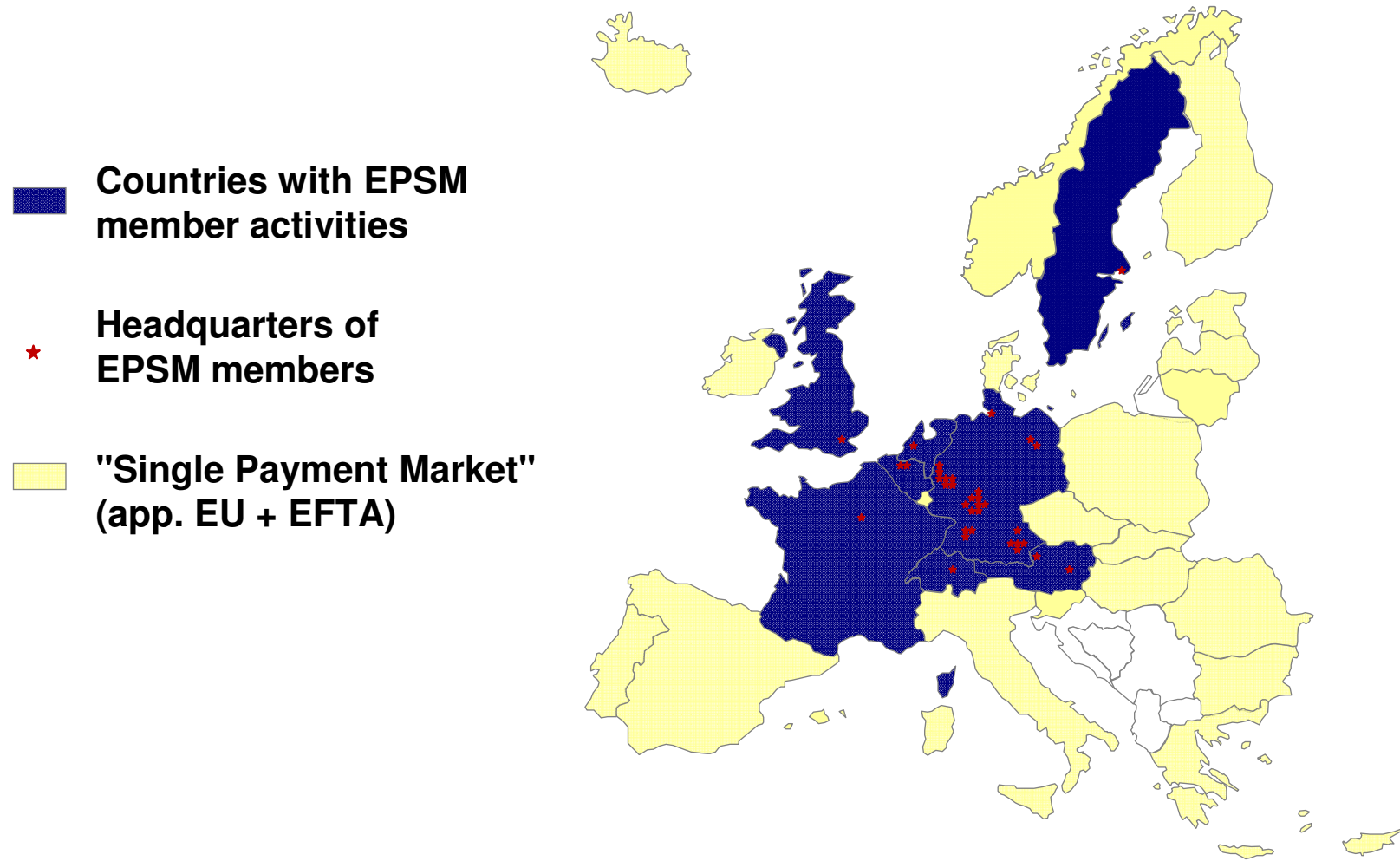
Topics

- **About the EPSM**
- **The increased role of „Non-Banks“**
- **Convergence of standards across Europe**
- **Open issues and future diversity**
- **Market trends beyond SEPA**

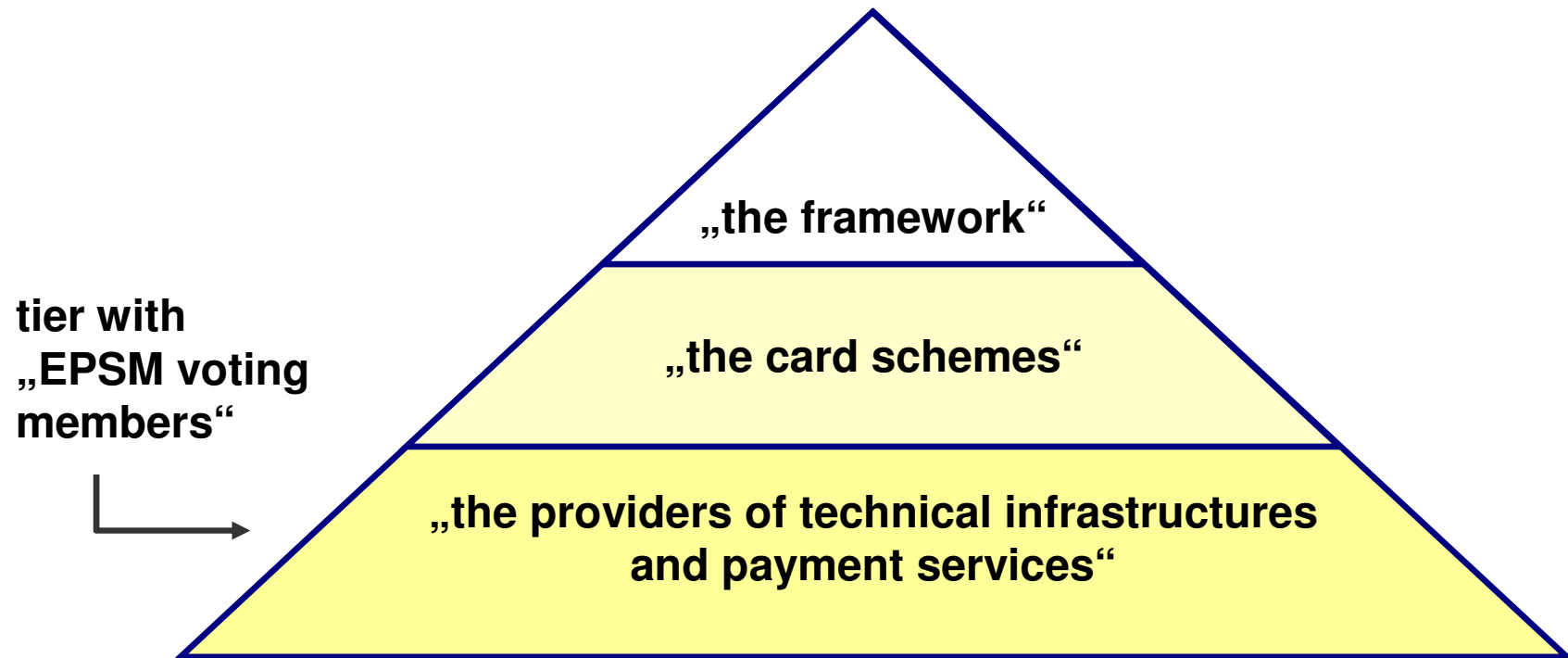
About the EPSM

- **An independent association of „European Payment Service Providers for Merchants“**
- **Founded in April 2005, with focus on „card-based“ payments (POS, mail-order and eCommerce)**
- **20 voting members:
acquirers, network operators, Internet payment providers**
**17 non-voting members:
processors, terminal manufacturers, one card scheme**
- **Represents typical „non-banks“ with a combined turnover of more than 700 mn. Euro and more than 2.700 employees**

EPSM members within the European Market



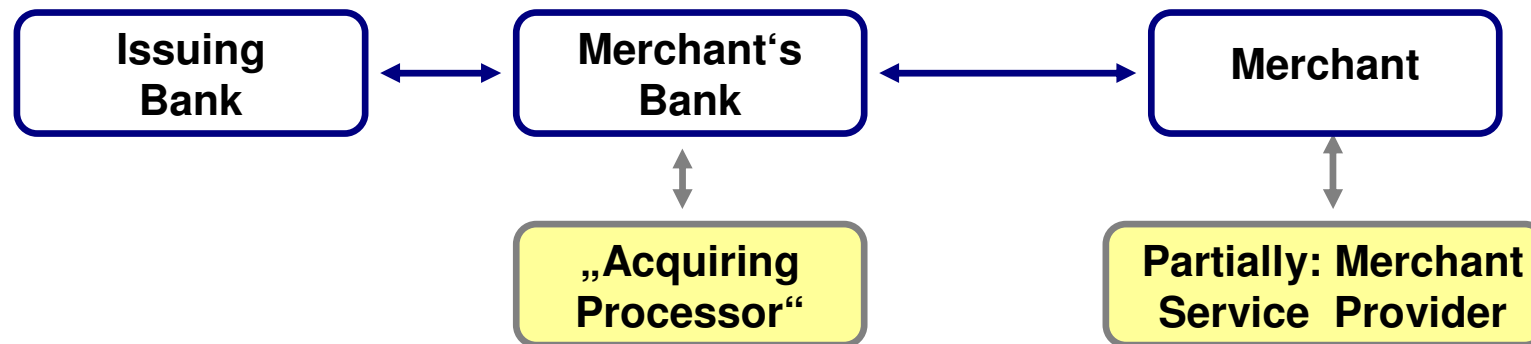
The positioning within EPC's „three tiers in the SEPA Card Framework (SCF)“



Source: EPC (06/2007), plus EPSM comment

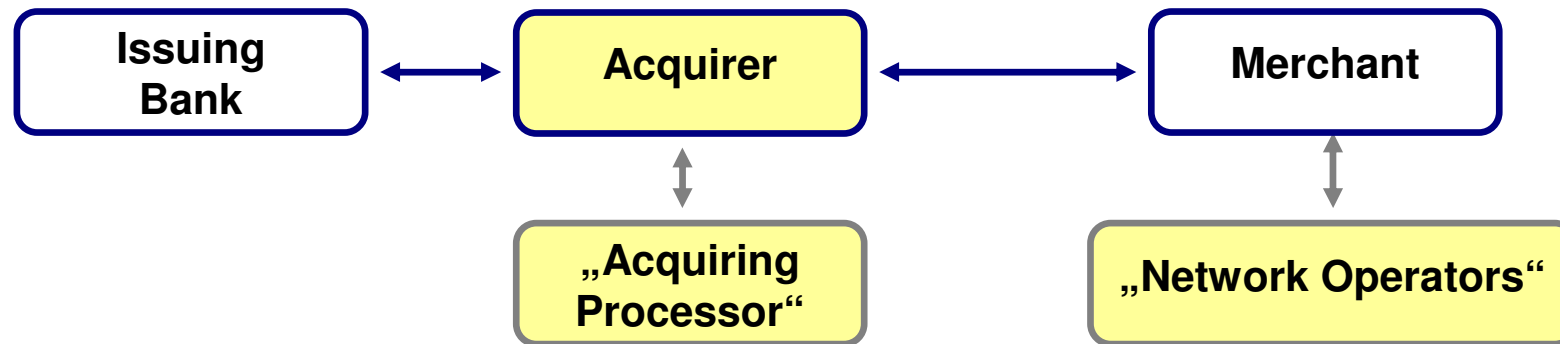
The increased role of „Non-Banks“ in card-based payments:

A) Typical Set-up in France: Acquiring requires a banking licence



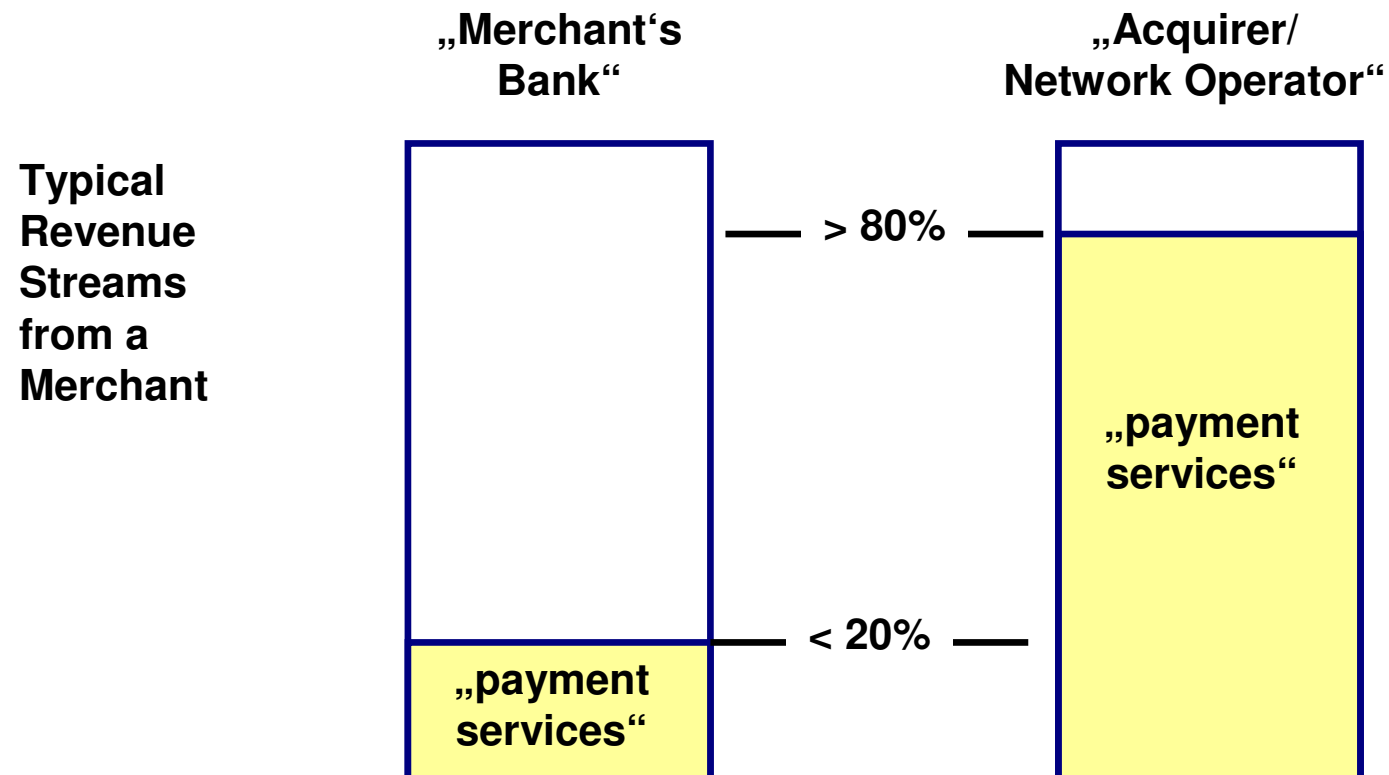
The increased role of „Non-Banks“ in card-based payments:

B) Typical Set-up in Germany: Acquiring without banking licence



For German debit cards, many network operators act frequently also de facto as „Acquirers“.

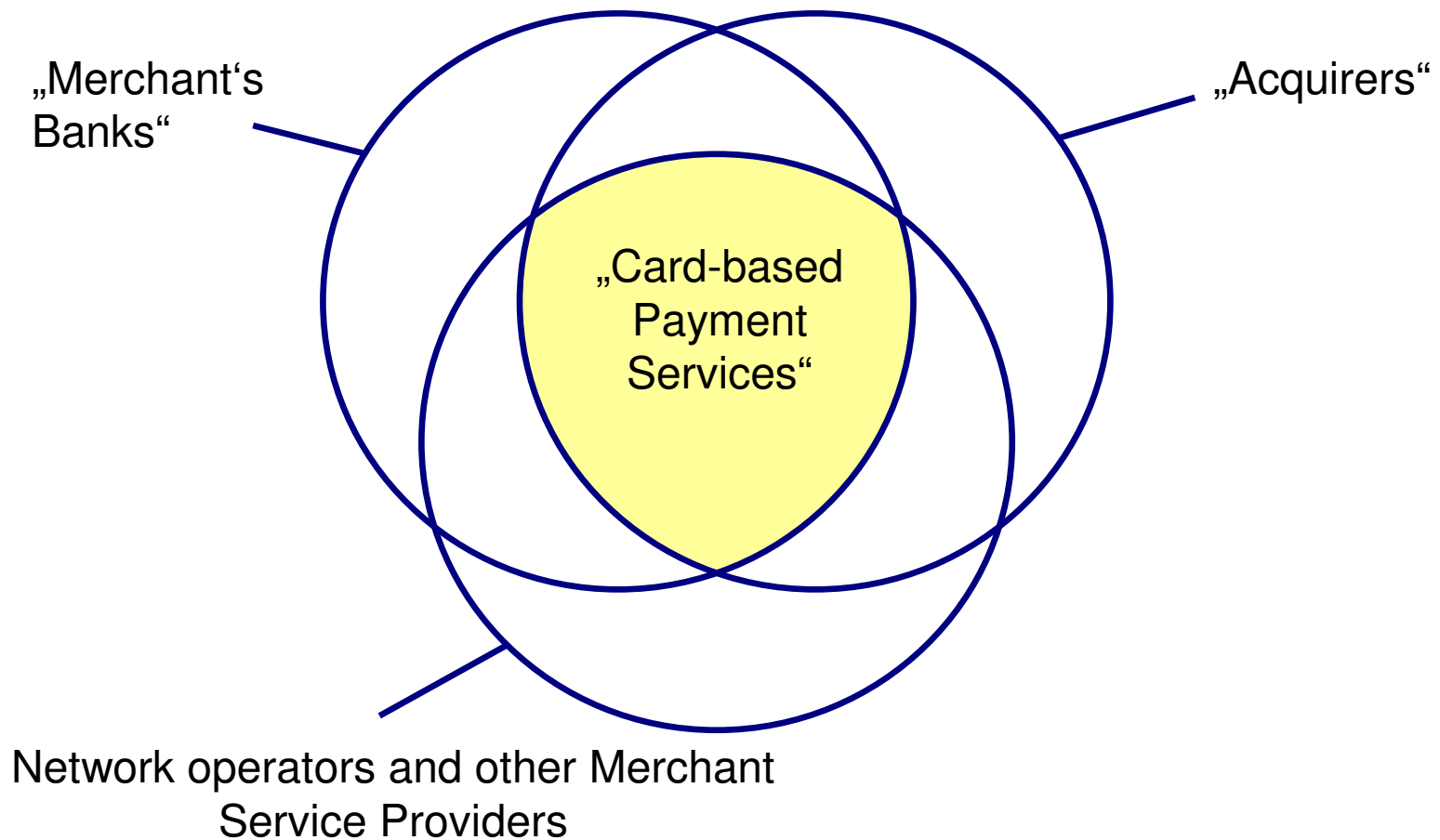
The increased role of „Non-Banks“ in card-based payments: „Full Service“ vs. „Specialization“



The increased role of „Non-Banks“ in card-based payments: Typical Functions of „Payment Services Providers“

- Provision and Maintenance of „payment terminals“
(physical at POS or software-based at mailorder / internet)
- Transport Network for payment messages
- Authorization
- Clearing & settlement
- Reporting
- Value Added Services (Mobile Top Up, Bonus Systems)
- Collections Services, Factoring for Charge Backs
- Private Label Payment Schemes
- ...

The increased role of „Non-Banks“ in card-based payments: The future Competition



Convergence of commercial standards across Europe

- **Implementation of the „Payment Service Directive“:**
> end 2009 (subject to the national legislators)
- **Implementation of „SEPA-wide uniform Interchanges“:**
after 2010 ? (subject to competition authorities)
- **Implementation of „cost effective SEPA Settlement systems“:**
after 2012 ? (subject to the commercial attractiveness
of new SEPA settlement infrastructures
for cards)

Convergence of technical standards across Europe ?

„Minimum Technical Requirements“ as expected
by the EPC „Cards Standardizations Task Force“:

- **Cards-to-terminal:**
 - „SEPA Fast“ until mid 2008 (??)
- **Terminals-to host/acquirer:**
 - „EPAS“ until end 2008 (??)
 - „ERIDANE“ until end 2009 (??)
- **Certification / approval:**
 - „Common Approval Scheme“ (CAS) until mid 2008 (???)

Experience shows, that it will take typically 1-3 years after a standard has been defined for the first practical implementations.

=> It will be a long way to unified technical „SEPA standards“ in cards.

Open issues:

Local tax regimes, KYC regulations, and consumer protection rules

We might have SEPA, but there is no talk of:

- „SETA“ = Single Euro Tax Area

(e.g. the VAT rate is different in each country)

Sooner may be realized:

**- „SE-(KYC)-A“ = Single Euro „Know our Customer/
Anti-Money-Laundering“ Area**

- „SE-(CP)-A“ = Single Euro „Consumer Protection“ Area

Increased Competition at the POS: Major POS Card Schemes with a potential „SEPA Presence“

Debit:

- **Maestro**
- **VPAY**
- **girocard**
- **Cartes Bancaires ?**



Credit:

- **MasterCard**
- **Visa**
- **Amex**
- **Diners**
- **Cartes Bancaires ?**

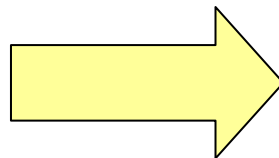
„Acquiring only“:

- **JCB**
- **China Union Pay**

















Future diversity in the German debit card issuing market

„SEPA“

„pre-SEPA“



Möglichkeiten der Kombinationen von Debit-Zahlungssystemen

| Zahlungssystem | POS/Geldautomaten | | | Geldautomaten | | |
|---|---|---|---|---|---|---|
| |  |  |  |  |  |  |
|  | ✓ | ✓ | | ✓ | | |
|  | ✓ | | ✓ | ✓ | | ✓ |
|  | ✓ | | | ✓ | ✓ | |
|  | ✓ | | | ✓ | | ✓ |
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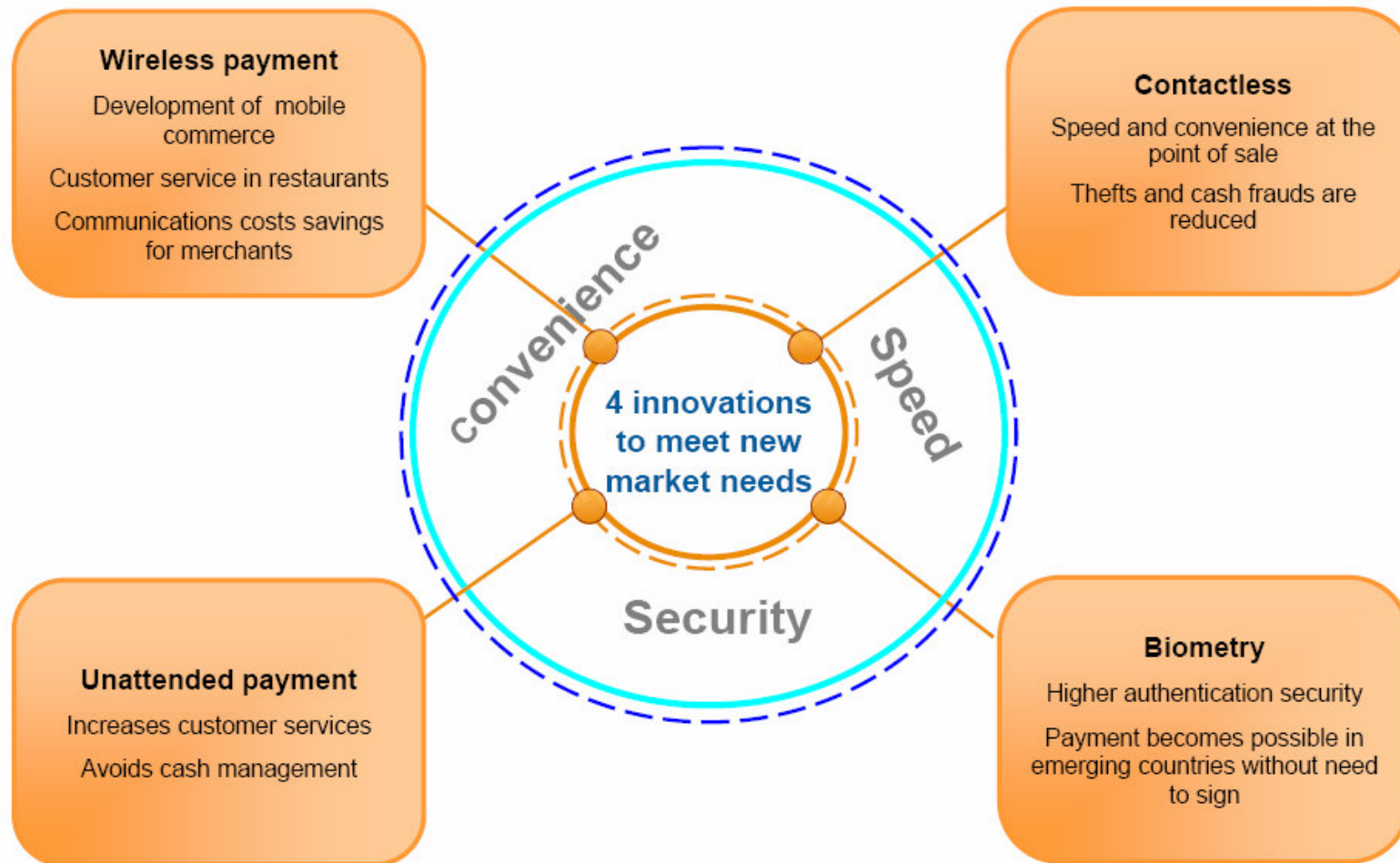
Source: BVR (04/2007), Bank-Verlag (03/2007)

Outlook for the implementation of „SEPA for Cards“

„Any Card at any Terminal“:

***Only if the terminal has a „SEPA certification“
and the merchant accepts the card
commercially!***

„Hardware“ trends beyond SEPA



Source: Ingenico (06/2007)

„Hardware“ pictures beyond SEPA



"mobile"



"contactless"



"unattended"



"fingerprint"

„Transaction“ trends beyond SEPA

- **Prepaid cards:**
for minors and people with low credit rating
- **Unattended terminals:**
card-based payments at vending machines and in mass transit
- **Contactless payments:**
with PIN, signature, fingerprint or no authentication at all
- **Mobile payments:**
by SMS, NFC, or other means

⇒ ***„More transactions with more convenience“***

Further questions?

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Thank you !

Nicolas Adolph

EPSM