

New Schemes and the future of the card industry:

View from an Acquiring Side

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Some Topics in the European Card Market

- **About the EPSM:
the typical „non-banks“**
- **Commercial challenges**
- **Technical challenges**
- **Entry of new Schemes**
- **Needs of merchants**

About the EPSM

www.epsms.eu

- **An internet-based association of „European Payment Service Providers for Merchants“**
- **Founded in April 2005, with a focus on „card-based“ payments (POS, mail-order and eCommerce)**
- **Main Activities:**
quarterly informal meetings, statements to European organisations, information exchange by E-Mail, Newsletters and an intranet
- **54 members, thereof 35 voting members:**
16 network operators, 10 acquirers, 8 internet payment providers,
1 other provider

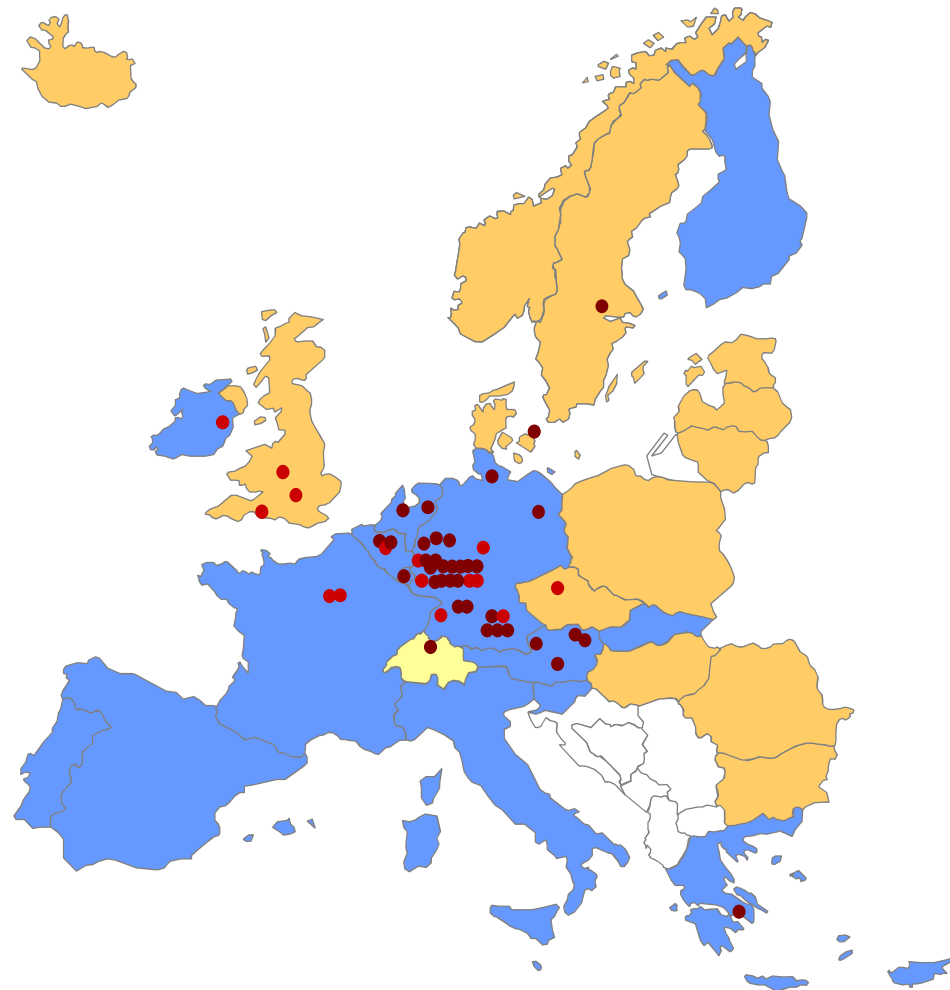
and 19 non-voting members:
5 payment schemes, 5 processors, 3 terminal manufacturers,
6 other providers

EPSM members within the European Payments Market

Headquarters of
EPSM members in 13
European countries:

- „voting“
- „extra-ordinary
(non-voting)“

- Euro-Countries
(and „SEPA Core“)
- + EEA (the SPM)
- + Switzerland
(SEPA for Euros)



Commercial Challenges:

“Interchange – Interchange – Interchange !”

***What will be the outcome of the competition regulation
in the next months and years ?***

- directly: for card based POS transactions ???
- indirectly: for SEPA Direct Debit transactions ???

- later step: for ATM transactions ???

Commercial Challenges: Surcharging

What will be the market effect of surcharging in most European markets in the next years ?

- directly: for card based POS transactions ???
- later step: for ATM transactions ???

An impact of the PSD: The future Surcharging map?

Surcharging example: (MOTO, U.K.)

Sterling cheque drawn on UK bank enclosed Please Invoice me (Sterling/Euro)

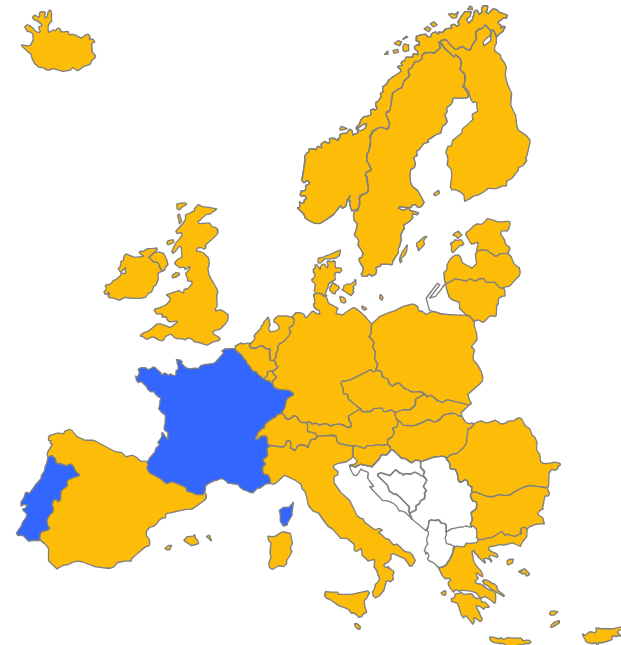
or charge my

Visa MasterCard American Express Diners Club

*A 2.5% surcharge will be added to all American Express
and Diners Club payments*

 Countries, where
surcharging will not be
allowed?

 Countries, where
surcharging will be
allowed?



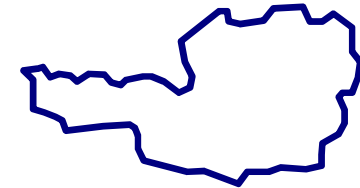
Source: EPSM estimate (05-2008)

Commercial Challenges: The new “Payment Institutes”

What will be the outcome of the liberalization years ?

- direct: more competitors ?
- direct: Access to the card payments systems,
mainly of MasterCard and Visa ?
- indirect: insolvencies of future payment institutes ?

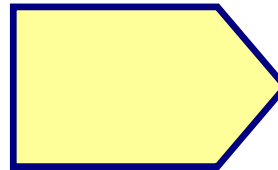
Another impact of the PSD: Already increased Acquiring competition in Austria



„Pre-SEPA/PSD“:

mainly:

- **Europay Austria**
(only for MasterCard
and Maestro)
- **Visa Austria**
(for Visa)



„Now“:

- **B+S, Frankfurt**
- **CardComplete, Vienna**
(ex Visa Austria)
- **Elavon, London**
- **Hobex, Salzburg**
- **Paylife, Vienna**
(ex Europay Austria)
- **SIX Multipay, Zurich**

Technical Challenges: Some major European Standardization Efforts

- **Common Approval Scheme (CAS) by the EPC**
=> How fast will they be really in the market?
- **SEPA Card Clearing by the “Berlin Group”**
=> Who defines “SEPA compliant” ?
- **EPAS terminal interface and EPAS cashier interface
by the EPAS group / consortium**
=> What will be the EPC’s long term attitude on this?

Technical Challenges: Other harmonization efforts in the market

- **Different Functional Requirements of individual schemes**
=> Will “SEPA –FAST” be really the fast solution?
- **The ATM business:**
=> Common Functional Requirements at ATMs?
- **PCI DSS on POS merchants**
=> What will happen in France, the Netherlands, Belgium and Germany?

The challenge of PCI DSS on POS merchants: A „PCI secured terminal“ ?

- **A physically secured POS terminal that keeps all card data inside and transmits only fully encrypted transactions to the service provider.**
- **To minimize the merchant's efforts including the „PCI DSS Self Assessment Questionnaire“.**

„Nice to have“- Needs of Merchants: Convenience „Hardware“ Trends beyond SEPA and PCI DSS



"mobile"



"contactless"



"unattended"



"fingerprint"

**Last but not least:
Three permanent Needs of Merchants**

„Cost“,

„Reliability“

and

„KISS“:

Keep it safe and simple !

Your Questions and Comments ?

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