

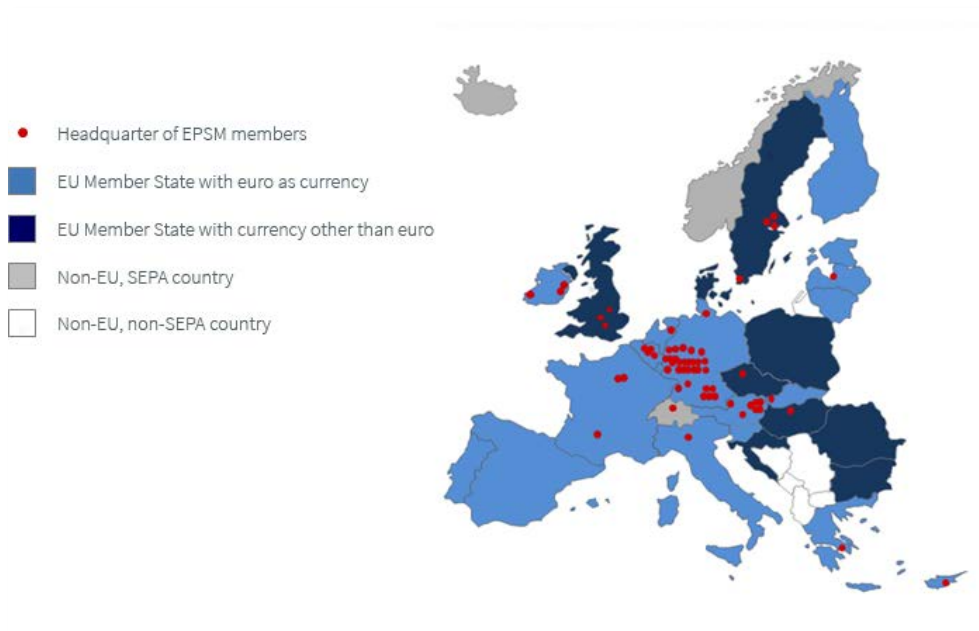
Instant Payments

Zooming in on Merchants

Open Forum
on Pan-European Instant Payments
17 April 2018
Frankfurt, Germany
Lars Tebrügge
Consultant to EPSM

Agenda

1. EPSM Profile
2. Participation to SEPA Inst
3. Results
4. Summary

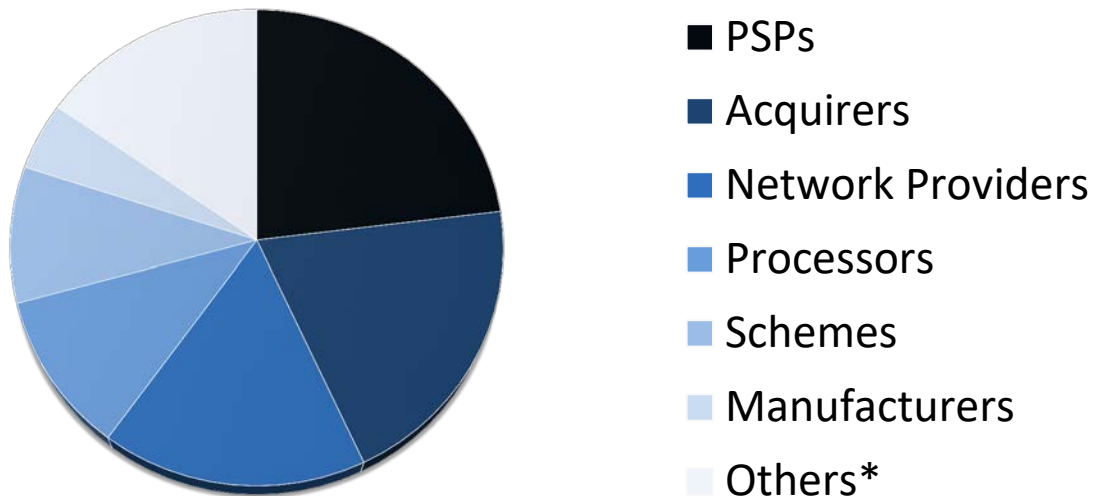


European Footprint of EPSM

1. EPSM Profile

Who are the European Payment Service Providers for Merchants?

68 EPSM members with headquarters in 16 European countries: (AT, BE, CH, CY, CZ, DE, FR, GR, HU, IE, IT, LU, LV, NL, SE, UK)



* such as: associations, e-payments, fin-tech, e-bill provider, gateway, solution provider

1. EPISM Profile

Mission and Main Activities

Mission:

A non-profit trade association for cost-effective **interest representation** and general **information exchange** on issues relevant to payment providers for merchants in Europe.

Main Activities:

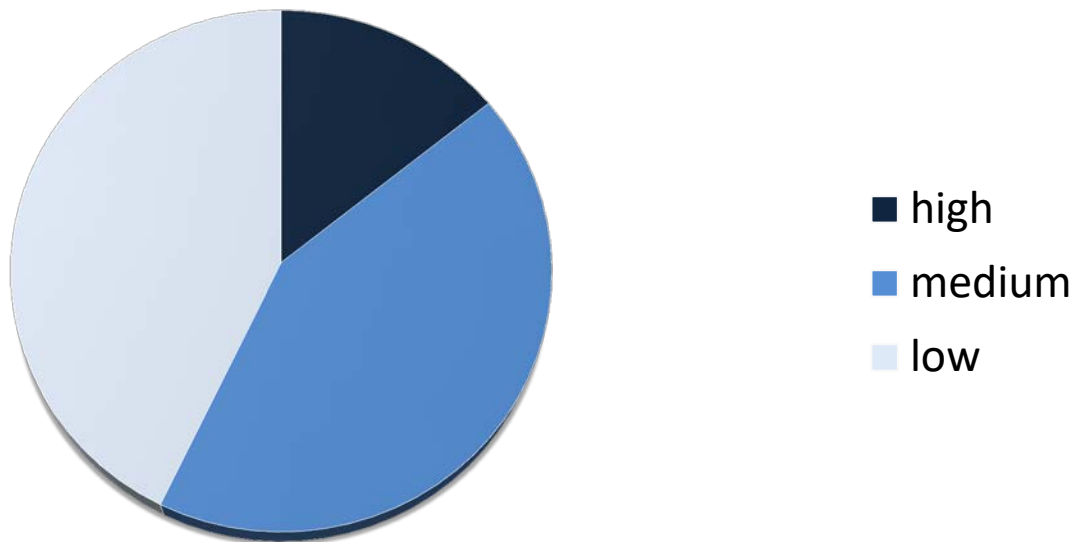
- 3 regular meetings per year
- Information exchange by e-mail
- EPISM Market Newsletter
- Participation in PCI and PSMEG
- Partnerships with other organisations and conference organisers
- ...

2. Participation to SEPA Inst

- A short survey was send out to all EPSM members.
- The feedback rate of slightly above 10% was rather small.
- Members of the following categories provided feedback:
 - Payment Service Providers
 - Acquirers
 - Schemes
 - Network Providers
 - Solution Providers.

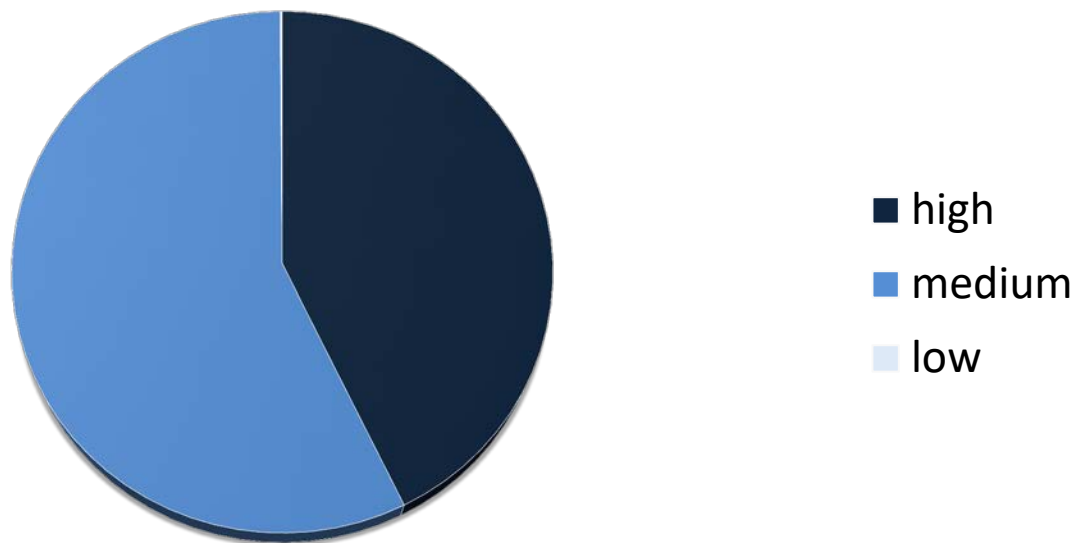
3. Results

How detailed is your knowledge on SEPA Inst at present?



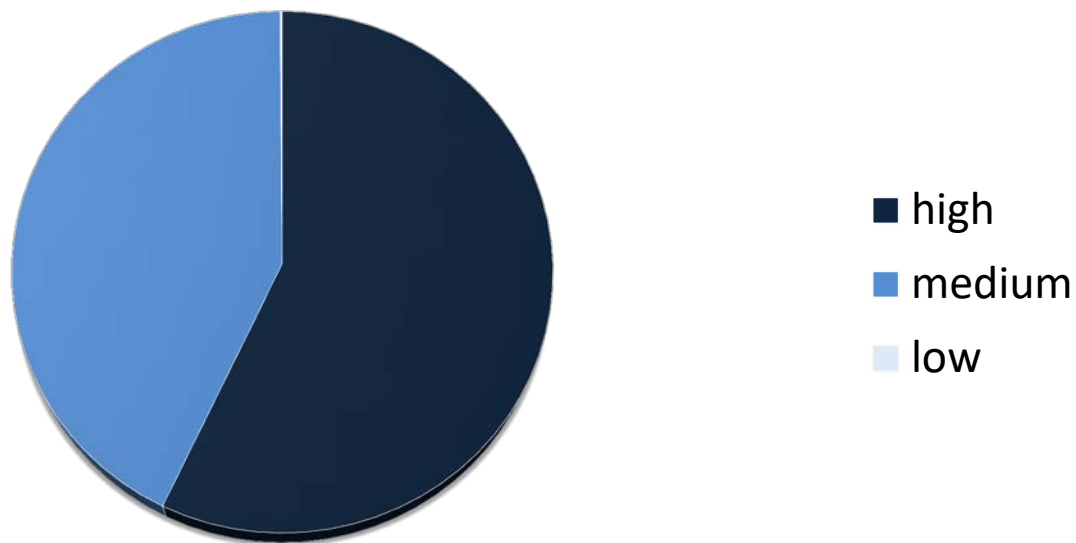
3. Results

How interested is your company in providing services related to SEPA Inst?



3. Results

How would you estimate the market relevance of SEPA Inst in 5 years?



3. Results

What is missing in SEPA Inst to become a success? (1)

- PSP access point.
- Wider participation of all banks in Europe.
- Clarification of costs of SEPA Inst for PSP.
- The possibility to be broadly adopted, quickly.
- Better middleware and integration with other schemes such XS2A and AML/KYC products.
- De-risking a transaction becomes more critical when the speed of transfer execution becomes faster.

3. Results

What is missing in SEPA Inst to become a success? (2)

- A guidance paper on applicability of KYC processes required of AISP and PISP providers. How much can we rely on the Bank's KYC efforts vs that of a PISP?
- Banks are challenged to provide secure connections that comply with SCA while some are using SCA as a mechanism to block the free access to payments. The crux is the point where liability shifts from the bank to the PISP in the case of exemptions from SCA. Recurring payments for instance and low value payments, need a method, within the scheme, to gain protection from liability.

3. Results

Are there changes to the set-up of SEPA Inst you would like to suggest?

- Too early for changes. PSPs need to see participation of all banks in Europe and get an understanding of the costs of SEPA Inst.
- Use cases and business cases are missing up to now.
- Not knowledgeable enough to comment.
- The time limits for approvals should be driven down to levels below those seen in the debit card market. These payments are processed on the back-end by the same back office core banking systems while the front-end is conceivably built with newer and faster technology.

3. Results

With the information available to you at present, do you see a business case for you offering SEPA Inst (yes/no and why)? (1)

- Yes. Speed of payment to merchant/acquirer increases satisfaction.
- Yes, the faster transactions can be executed with sufficient coverage from a compliance perspective can only enhance the speed of commerce and settlements fostering economic development. When payments are secure, fast and not reversible in such a large window of time (as in the case of SEPA DD) it will quickly become a preferred payment method for merchants integrating into their accounting functions while removing an additional layer of third parties which can introduce a risk component.

3. Results

With the information available to you at present, do you see a business case for you offering SEPA Inst (yes/no and why)? (2)

- Unknown, because of reliance on local initiatives using SEPA Inst.
- Unknown, more information need to be shared on that topic. Still at the very beginning.
- No. Without the knowledge of costs and participation of all banks, no business case can be calculated.

4. Summary

- The rather low response rate suggests that the knowledge about SEPA Inst is still expandable.
- Generally, SEPA Inst seems to be attractive for merchants and PSPs.
- It is still unclear, how the role of a PSP could look like and how a PSP, which is managing the payments for the merchants at present, could get access to the system.
- Uncertainty remains if all European banks will offer SEPA Inst.

Thank you very much for your attention!

Lars Tebrügge
Consultant to EPSM
lt@tebruegge.eu
+49 (0) 177 65 60 918

