EPSM

„ Evolving Needs & Challenges
presented by SEPA"

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Topics

- **About the EPSM**

- **Commercial challenges around „SEPA for Cards"**

- **Technical challenges around „SEPA for Cards"**

- **Concept for a „PCI Secured POS Terminal"**

- **Needs of merchants**

About the EPSM

- **A small, 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

- 51 members, thereoff 35 voting members:
  16 network operators, 10 acquirers, 8 internet payment providers,
  1 other provider

  and 16 non-voting members:
  5 payment schemes, 3 processors, 3 terminal manufacturers,
  5 other providers

EPSM members within the European Payments Market

**Headquarters of
EPSM members in 12
European countries:**

● „voting"

● „extra-ordinary
   (non-voting)"

■ **Euro-Countries
   (and „SEPA Core")**

■ **+ EEA (the SPM)**

■ **+ Switzerland
   (SEPA for Euros)**
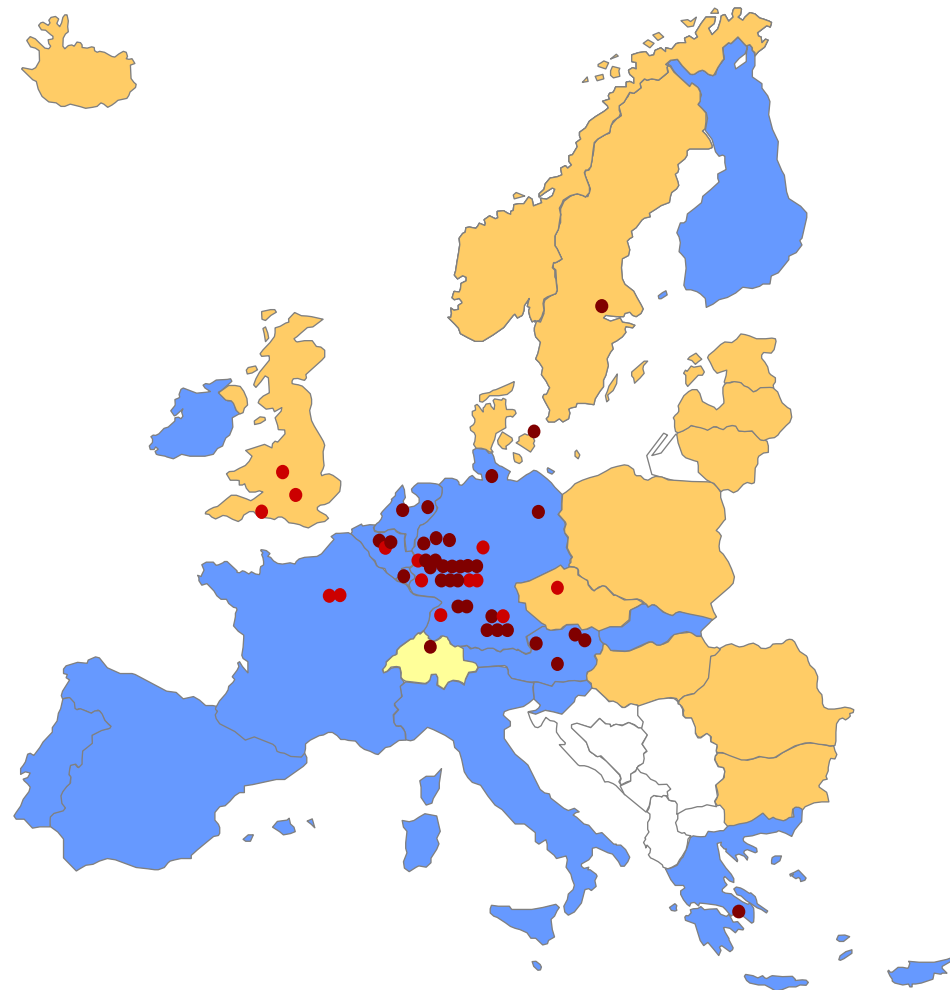
Commercial Challenges around „SEPA for Cards": "Interchange – Interchange – Interchange !"

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 around „SEPA for Cards":
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   ???

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One impact of the PSD:
The future Surcharging map?

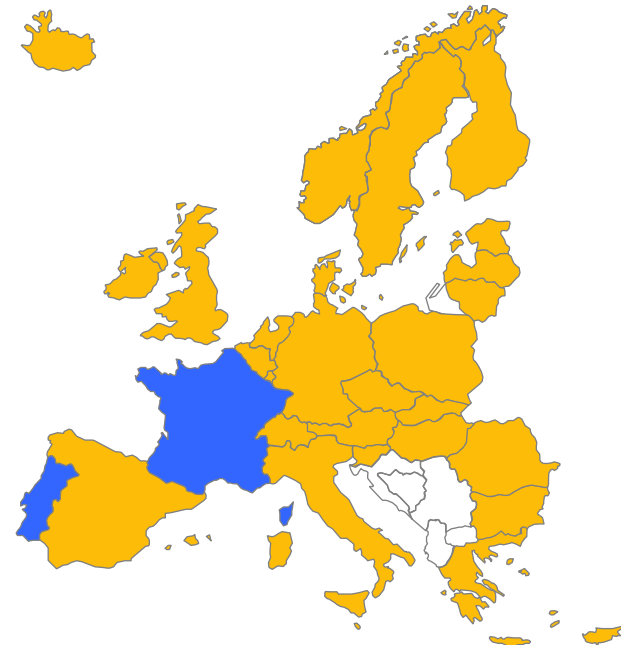**Surcharging example: (MOTO, U.K.)**

☐ 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 around „SEPA for Cards": 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   ?
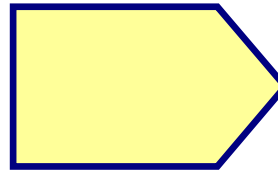
- indirect: insolvencies of future payment institutes   ?

Another impact of the PSD:
Already increased Acquiring competition in Austria
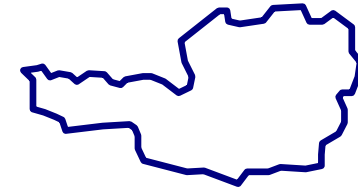
„Pre-SEPA/PSD":

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 around „SEPA for Cards":
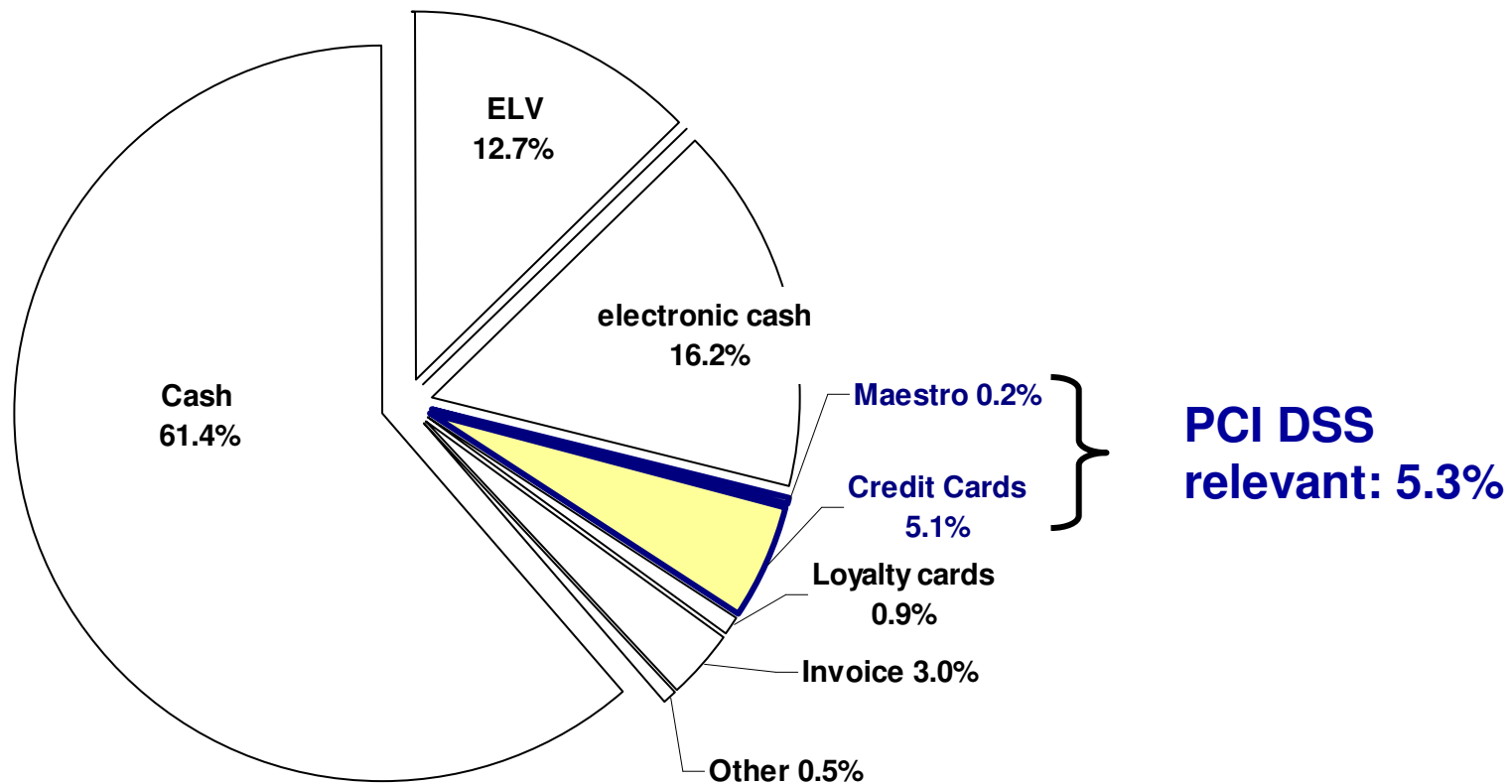Some major European Standardization Efforts**

- **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 in „SEPA for Cards":
Major Challenges

- **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" in selected markets: The POS Retailer's Market in Germany in 2007

ELV
12.7%

electronic cash
16.2%

Cash
61.4%

Maestro 0.2%

Credit Cards
5.1%

PCI DSS
relevant: 5.3%

Loyalty cards
0.9%

Invoice 3.0%

Other 0.5%

Source: EHI (05-2008)

The challenge of PCI DSS on POS merchants:
A new Concept for a „PCI secured POS terminal"

- A physically secured POS terminal that keeps all card data inside and transmits only fully encrypted transactions to the service provider.

- To minmize the merchant's efforts including the „PCI DSS Self Assessment Questionnaire":

Payment Card Industry (PCI)
Data Security Standard
Self-Assessment Questionnaire
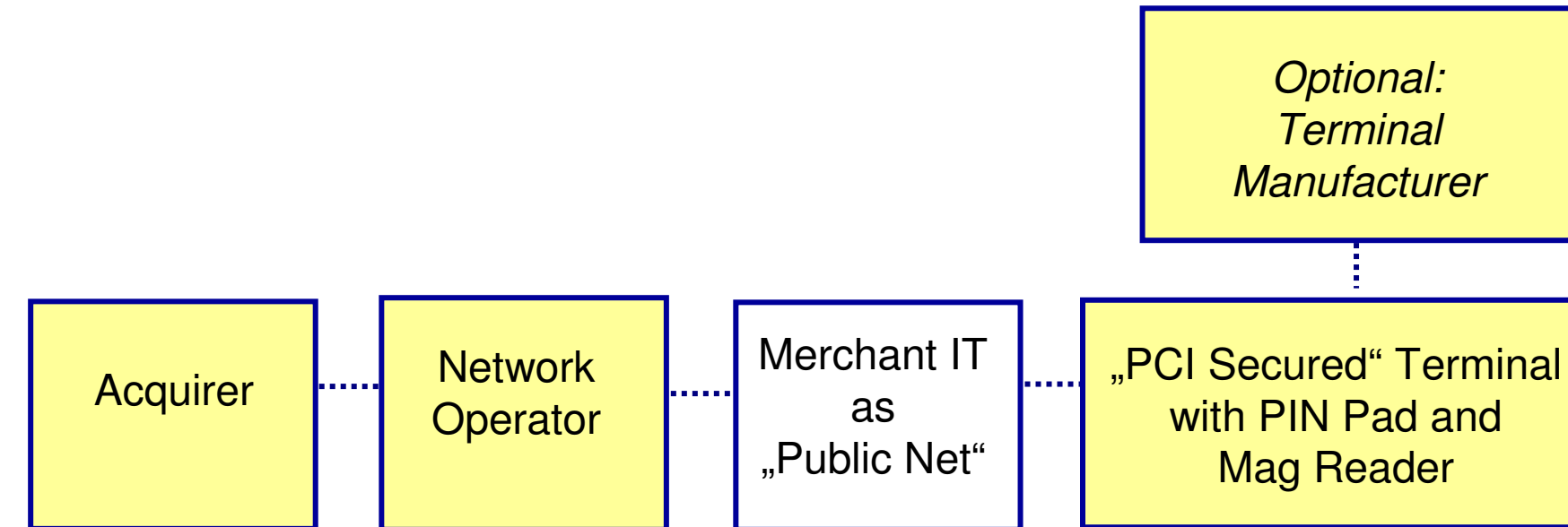
PCI Security Standards Council ™

A „PCI Secured POS Terminal":
The Target

Payment Card Industry (PCI)
Data Security Standard
Self-Assessment Questionnaire

PCI Security Standards Council ™

Selecting the SAQ and Attestation That Best Apply to Your Organization.............. 8
SAQ Validation Type 1 / SAQ A: ~~Card-not-present,~~ All Cardholder Data Functions Outsourced 8

Maintain an Information Security Policy

Requirement 12: *Maintain a policy that addresses information security for employees*
and contractors

		Question	Response:	Yes	No
12.8		Contractually, are the following required if cardholder data is shared with service providers?		☒	☐
	12.8.1	That service providers must adhere to the PCI DSS requirements?		☒	☐
	12.8.2	An agreement that includes an acknowledgement that the service provider is responsible for the security of cardholder data the provider possesses?		☒	☐

One major Need of Merchants: Convenience at the POS
„Hardware" Pictures beyond SEPA and PCI DSS

"contactless"

"mobile"

"fingerprint"

"unattended"

Source: Ingenico (06/2007)

**Other major Needs of Merchants:
The two ever-lasting Key Words**

„**Cost**"

and

„**KISS**":
Keep it safe and simple !

EPSM

Your Questions and Comments ?

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