What are three-party card schemes?

A three-party card scheme, such as American Express and Diners Club, both issue payments on behalf of cardholders and acquire payments on behalf of merchants. This creates a “closed-loop”, whereby three-party card schemes have access to information at both ends of the card transaction.

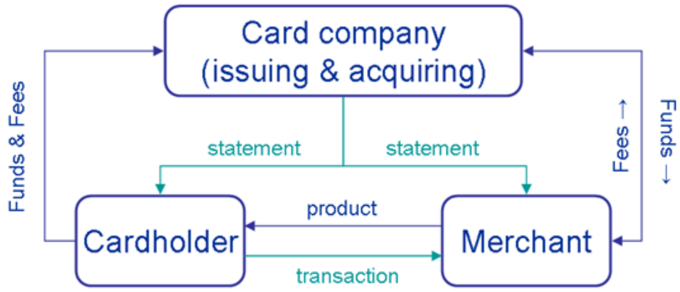

Figure A: Three party-card scheme

What are four-party card schemes?

Four-party card schemes consist of the cardholder, card issuing bank, merchant acquiring bank and the merchant. Four-party card schemes do not have direct relationships with cardholders and merchants.

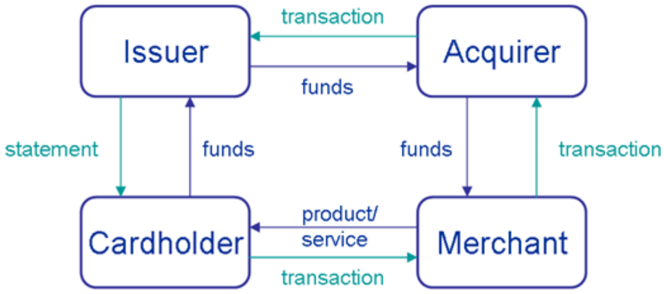

Figure B: Four-party card scheme

What are interchange fees?

Interchange fees are designed to compensate the issuer for some of its costs and risks undertaken in supporting a bankcard transaction. Interchange fees are set by the card associations and vary by card type, processing environment (e.g. CHIP and PIN; manual; internet etc.); and timing of the completion of the transaction.

What are acquirers?

An acquirer is a bank or financial institution that processes credit or debit card payments on behalf of a merchant client. As part of acquiring services, the acquirer exchanges funds with issuing banks on behalf of the merchant via the payment scheme, and pays the merchant for its daily payment-card activity's net balance--that is, gross sales minus reversals, interchange fees, and acquirer fees.

An acquirer may also provide merchants with the necessary equipment, for example payment terminals, so that merchants can accept payments from cardholders.

Why are acquirers part of EPIF?

Historically payments schemes required that issuing and acquiring participants were banks. Market conditions and scheme rules have changed so that now many large acquirers are non-banks, but licenced payments institutions. Acquirers that are licensed as payment institutions are eligible to become members of EPIF.

What is remittance?
Remittance is any form of money transfer or payment done from one country to another and most often done through an electronic network, wire transfer or mail.

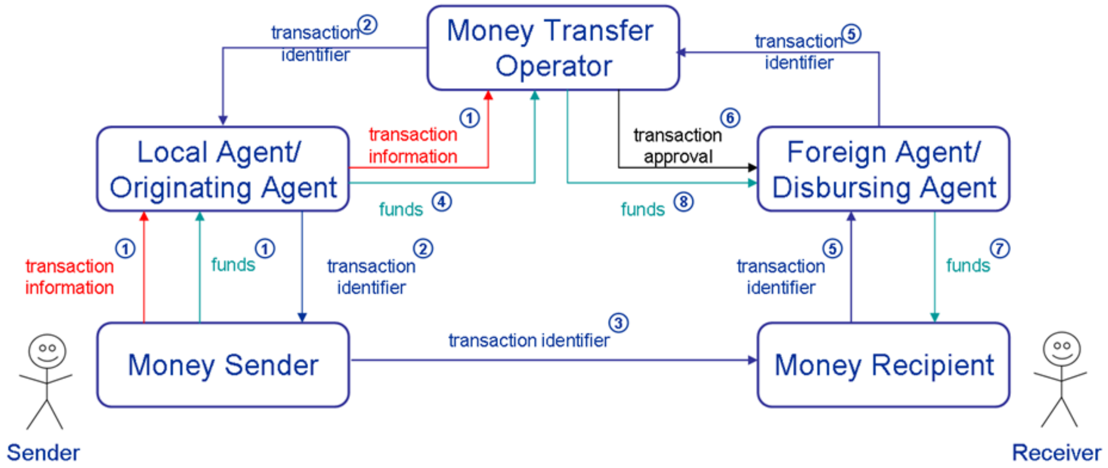

Figure C: Money remittance scheme

Why remittance?
The world still inhabits a lot of unbanked people and people in rural areas where “traditional” bank institutions or services are not accessible. Money remittance especially with its typically wide spread network of agents (also in the rural areas) can cater to those people.

What are agents and why are they being used?
Agents offer access to financial services (money transfer or receiving money for example). Those agents can also be located in a shop or postal agency; therefore it is typically within reach of its (potential) customers.

What is a Money Transfer Operator?
Money Transfer Operators consist of larger international companies, such as Western Union, which provide a global remittance service involving a worldwide network of agents, ATMs and electric channels and a large range of smaller institutions that specialise in sending funds across particular migration corridors or via digital channels. In most cases, the remittance process occurs in three phases, the funds capture phase, the funds disbursement phase and settlement phase.

What is a Mobile Payment?
A mobile payment is any payment where the payer is using a mobile device (tablet or smartphone). These payments can be proximity payments, where the consumer uses Near Field Communications, Wifi, or Bluetooth at the merchant terminal, or remote payments via the Internet.

What is a Card Issuer?
A card issuer issues payment cards to consumers or companies, which can be used to make purchases from merchants. In most cases issuers offer other services to their cardholders, such as a credit facility or insurance services.

What is a Payment Processing Service Provider?
Processors offer payment processing services to other parties in the financial eco system. For example card issuers can decide to process the payments in house or outsource the backend

processing to third parties (processors). Then the issuer still has the contract with the cardholder and manages the sales and marketing processes and pays the processor a processing fee to process the backend processes.

Why are processors part of EPIF?

All parties involved in the financial system have to comply with existing legislation. New legislation in areas such as data privacy, have an impact on processors as well, because they actually manage the transaction data which can contain privacy-related information.

What is EPIF?

The European Payment Institutions Federation (EPIF) was founded in 2011 and represents the interests of the non-bank payment institutions ("PI") sector at European level.
EPIF seeks to represent the voice of the PI industry with E.U. institutions policymakers and stakeholders. We aim to play a constructive role in shaping and developing market conditions for payments in a modern and continually evolving environment.

Who are its members?

EPIF currently represents over 300 PIs offering services in every part of Europe. Our diverse membership includes the broad range of business models covered by the PSD including:

- Three-party card schemes
- Acquirers
- Money Transfer Operators
- Foreign Exchange Payment Providers
- Mobile Payment Operators
- Payment Processing Service Providers
- Card Issuers
- Third Party Providers
- Internet Payment Services

What is the PSD?

The Payment Services Directive (PSD) provides the legal framework for the creation of a single market for payments in Europe. The PSD aims to establish a comprehensive set of rules applicable to all payment services. The aim is to make cross-border payments as easy, efficient and secure as 'national' payments. The PSD also seeks to improve competition by opening up payment markets to new regulated entrants.

Why non-bank payment services?

Many of the more innovative payment services are not being provided by banks but by other payment services providers. EPIF represents this non-bank sector in the payments market. EPIF members both cooperate and compete with banks. Our members provide payment services to individuals but also to company clients; in particular small and medium-sized companies engaging in cross-border and international trade. Payment services providers are leading in new technologies and means of payment, including electronic and mobile payments. EPIF's members are therefore playing an important part in providing the infrastructure for the EU Single Market in e-commerce. They are also at the forefront of accommodating changing new consumer patterns.

Are non-bank payment services less regulated or less safe?

No they are just as safe and regulated as bank payment services.

Do EPIF members compete with banks?

Operating in the same ecosystem EPIF members both compete and cooperate with banks.

How does EPIF engage with stakeholders?

EPIF seeks to represent the voice of the PI industry with EU institutions policymakers and stakeholders. We aim to play a constructive role in shaping and developing market conditions for payments in a modern and constantly evolving environment.

How does EPIF engage in the EU payments standard-setting process?

EPIF represents payment institutions in the European Payments Council, the standards-setting body that develops and maintains payment frameworks which help to realise SEPA, as well as the newly funded Euro Retail Payments Board.