European Payment Institutions Federation aisbl

Frequently Asked Questions

What is EPIF?

The European Payment Institutions Federation (EPIF) is an international non-profit organization. It 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 EU 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 network schemes
- E-money providers
- E-payment gateways
- Money transfer operators
- Acquires
- Digital wallets
- FX payment providers and operators
- Payment processing services
- Independent card issuers
- Payment initiators
- Account information service providers
- Collecting PSPs

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 most 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. 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?

Non-bank payment services 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 represents the voice of the non-bank 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 contribute to the EU payments standard-setting process?

EPIF represents payment institutions in the European Payments Council, the standard-setting body that develops and maintains payment frameworks which help to realize the Single Euro Payments Area (SEPA). EPIF also represents payment institutions in the Euro Retail Payments Board that fosters the integration, innovation and competitiveness of euro retail payments in the EU.

What is remittance?

Remittance is any form of money transfer or payment done from one country to another. Most often, it is done through an electronic network, wire transfer or mail.

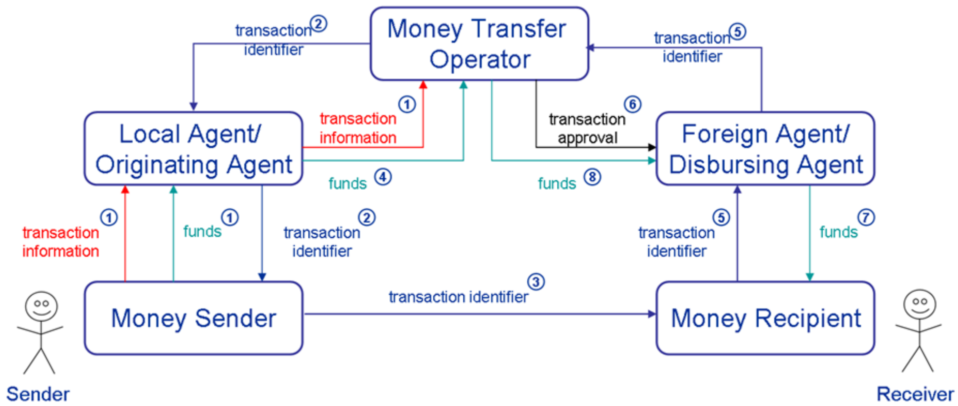

Figure A: Money remittance scheme

Why remittance?

For the people that do not have easy access to bank institutions or services, money remittance is a good and practical solution, especially with its typically wide spread network of agents.

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, they are 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 specialize in sending funds across particular migration corridors or via digital channels. In most cases, the remittance process occurs in three phases: 1) the funds capture phase; 2) the funds disbursement phase and 3) settlement phase.

What is a Mobile Payment?

A mobile payment is any payment where the payer uses 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 Payment Processing Service Provider?

Processors offer payment processing services to other parties in the financial ecosystem. 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, paying the processor a fee to process the backend processes.

Why are processors part of EPIF?

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

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 three-party card scheme?

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.

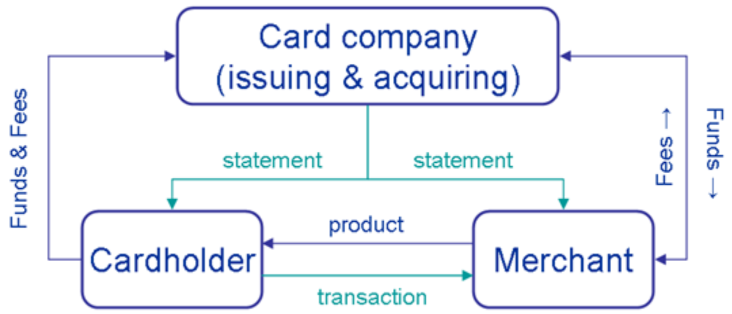

Figure B: Three-party card scheme

What is a four-party card scheme?

A four-party card scheme 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.

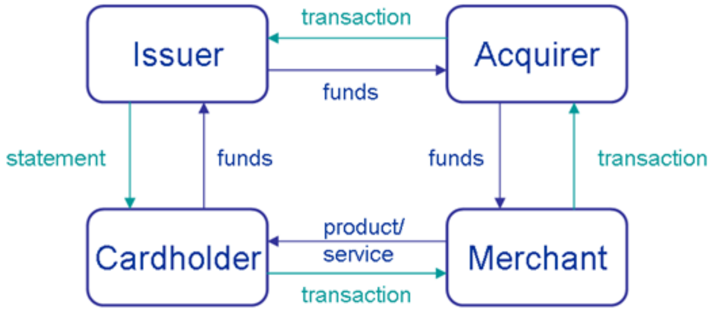

Figure C: Four-party card scheme

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 acquires?

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 acquires 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 licensed payments institutions. Acquirers that are licensed as payment institutions are eligible to become members of EPIF.