



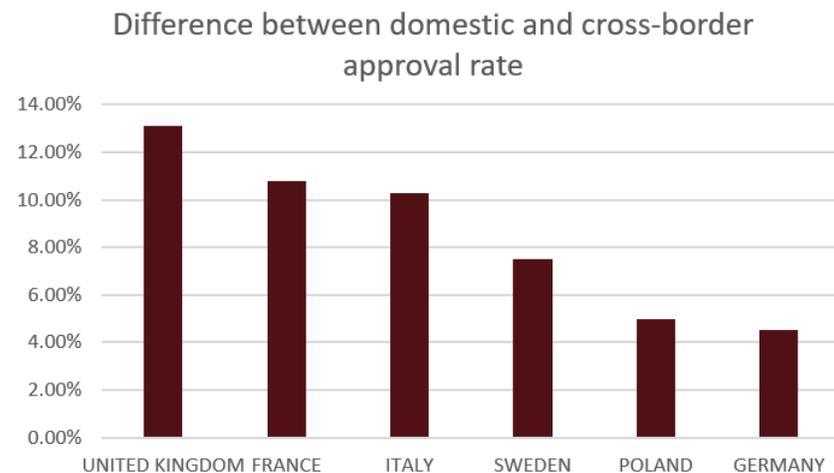
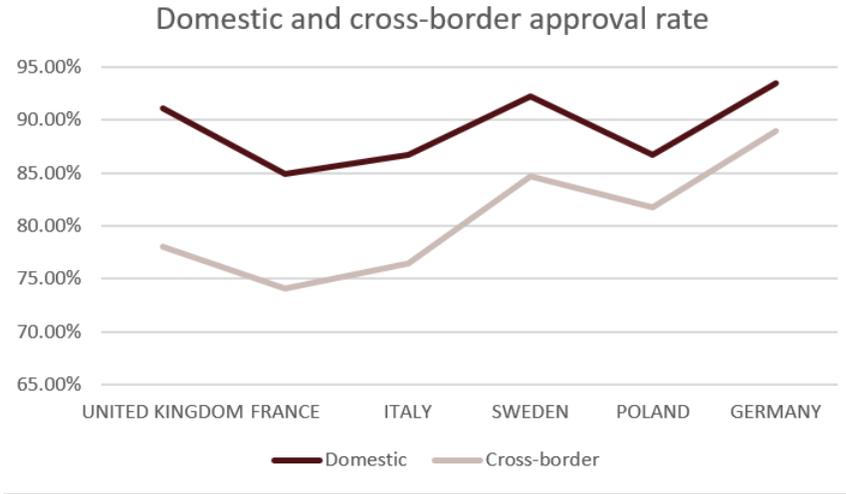
# Localisation and FX Optimisation

6<sup>th</sup> December 2022

# Optimisation by buyer location



Localization to individual countries within Europe yields benefits in approval rates



- Europe cannot be treated as a homogeneous entity; in payment terms there are notable differences between countries
- The top chart shows the domestic and cross border approval rates for selected countries in Europe
- Domestic approval rates range from 94% for Germany down to 85% for France, with corresponding cross-border rates of 74% and 78%
- The difference between these rates indicates the possible impact of localization and is shown in the lower chart
- The largest potential impact is the UK with a difference of 13%, closely followed by France and Italy with over 10%

# FX opportunities



FX potentially can occur across several different parts of the payment value chain driven by several factors: card billing currency, transaction currency, acquirer settlement currency, pay out currency and billing currency

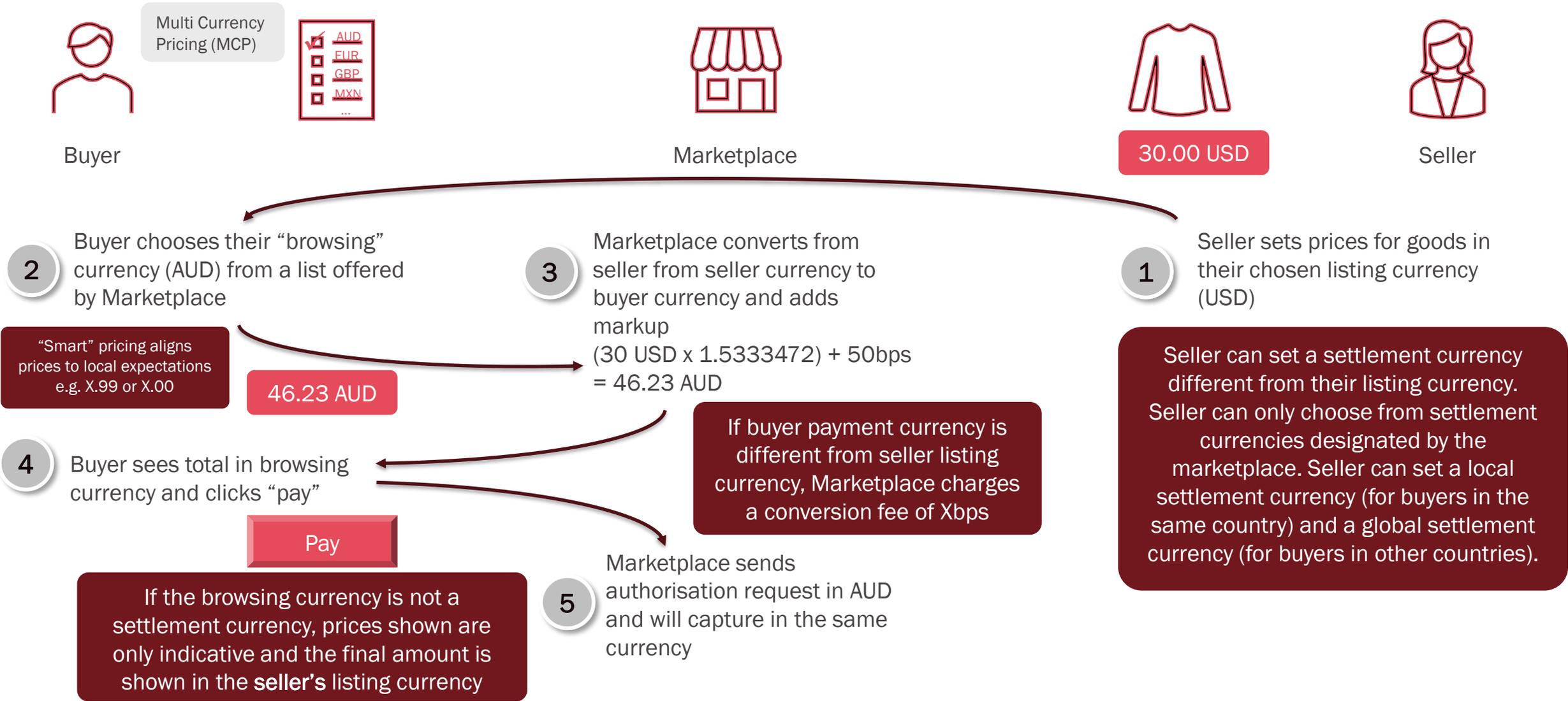
## Where does FX occur?

Use Cases Options	Card Billing Currency	Transaction Currency	Settlement Currency	Pay Out Currency	Billing Currency	Comments
No merchant multicurrency	\$	£	£	£	€	Scheme / issuer convert from transaction currency to cardholder billing currency
MCP or DCC	\$	\$	£	£	€	Merchant allows customer to choose their browsing currency (MCP) or use card billing currency at checkout (DCC)
Like for like pay-in	\$	\$	\$	£	€	Merchant receives settlement in the transaction currency, eliminating acquirer FX markup
Like for like pay-out	\$	£	£	€	€	Merchant pays out to sellers / suppliers / employees in their billing currency, eliminating pay-out agent mark-up

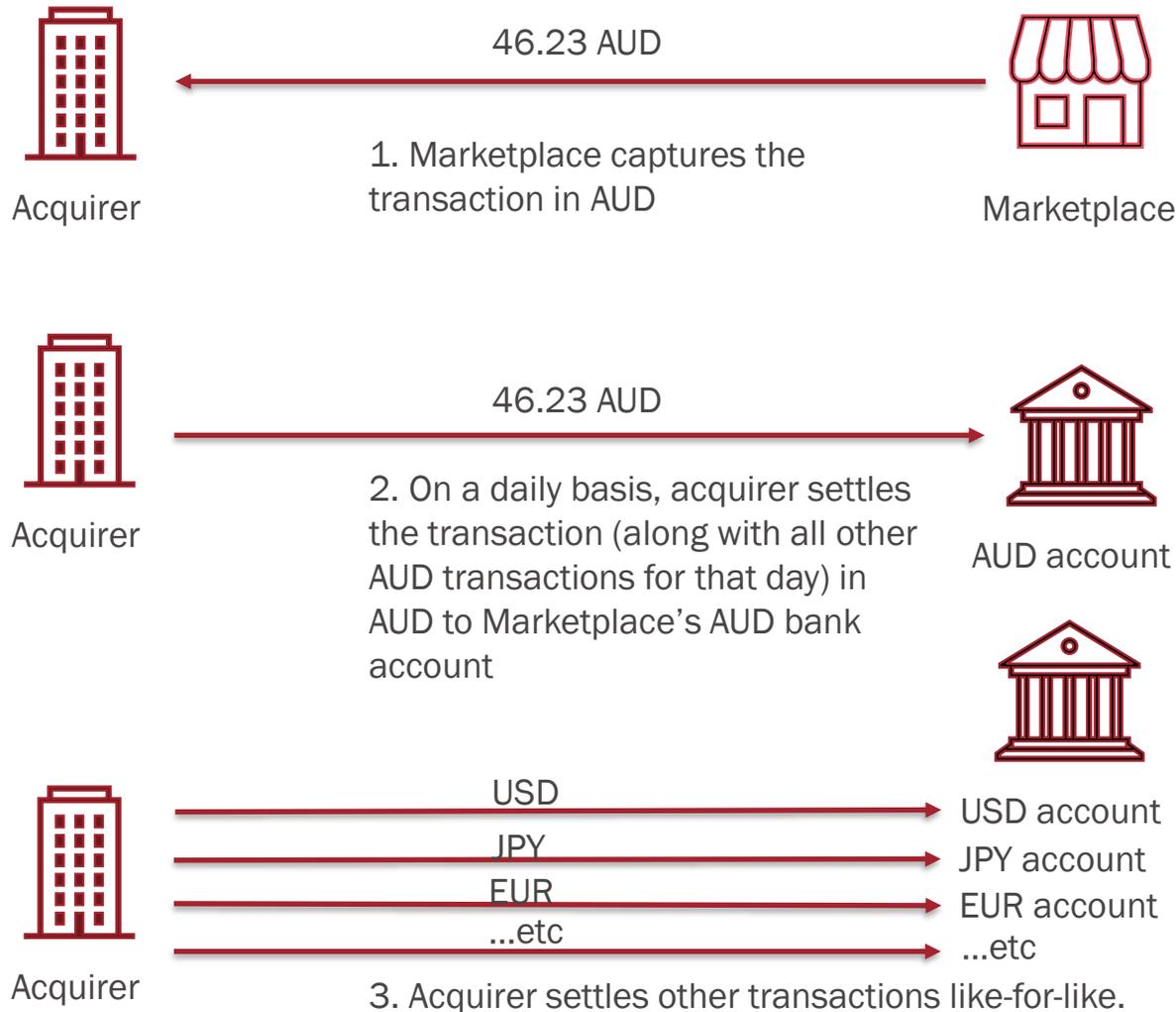
## Benefits of MCP

- Increased browse-to-buy conversion rates of up to 20%
- Increased average transaction values of c. 8%
- New revenue stream from existing payments cost
- Decrease shopping cart abandonment
- Available on all payment methods – cards and APMs
- Margin can be varied by channel, payment method, currency, etc
- Avoids DCC restrictions

# Marketplace financial flows - purchase



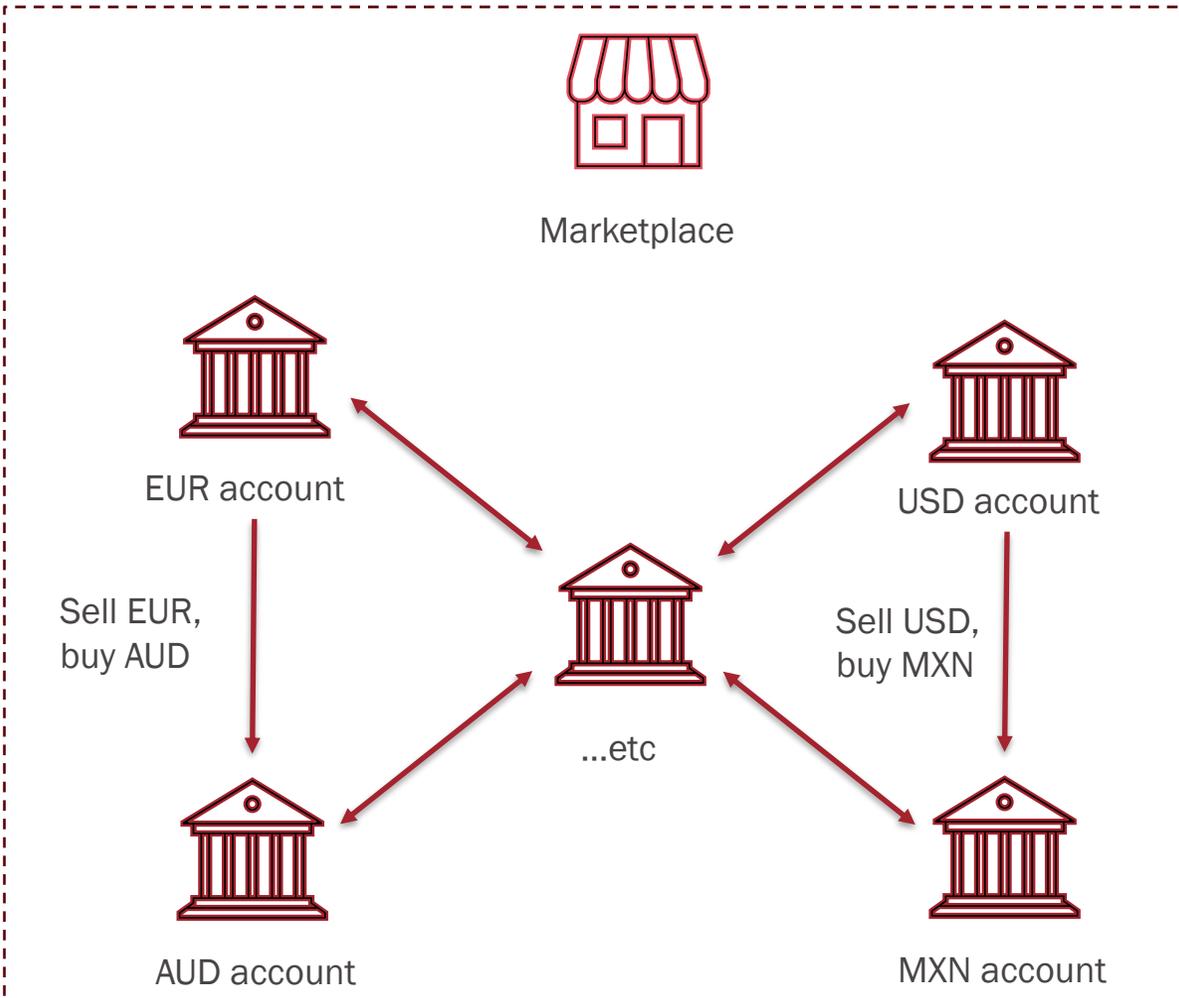
# Marketplace financial flows – acquirer settlement



Marketplace might have to set up a separate Merchant ID for each currency and specify the correct Merchant ID corresponding to the transaction currency in the authorisation and capture messages, but some acquirers can settle multiple currencies against a single Merchant ID

The scheme settles to the acquirer in the currency configured for that Merchant ID. The acquirer in turn settles to the marketplace in the currency/ies configured for that merchant ID. Hence there is no currency conversion involved.

# Marketplace financial flows – currency management



## Netting

- Marketplace currency positions will net out to some extent for example, USD buyer vs EUR seller nets off against EUR buyer vs USD seller

## Rebalancing

- Netting minimises the value of FX requiring conversion, but inflows will never exactly balance outflows so some re-balancing is needed periodically

## Bulk trading

- Based on projected currency positions, Marketplace treasury bulk trades currencies to ensure sufficient funds are available in each currency to settle with sellers

## Cash forecasting

- Accurate forecasting of future requirements of each currency is essential to avoid liquidity issues



# Thank You

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