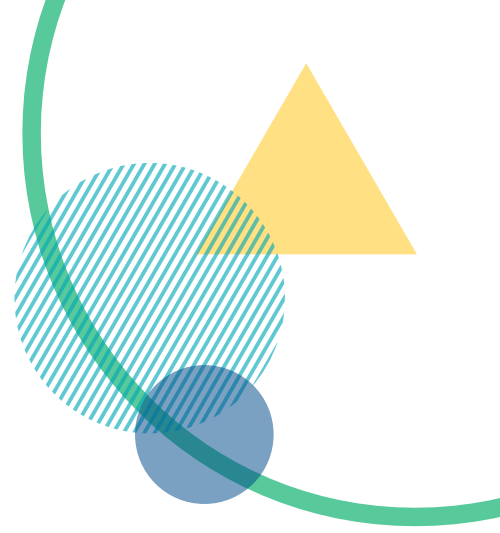
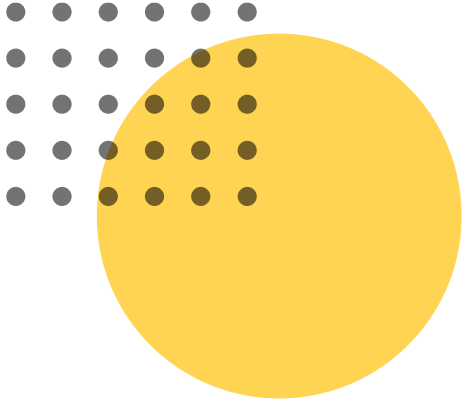


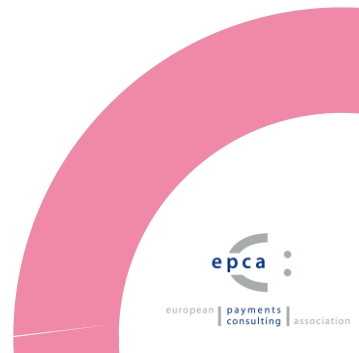
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Issuer Direct Connect - Challenges And Opportunities

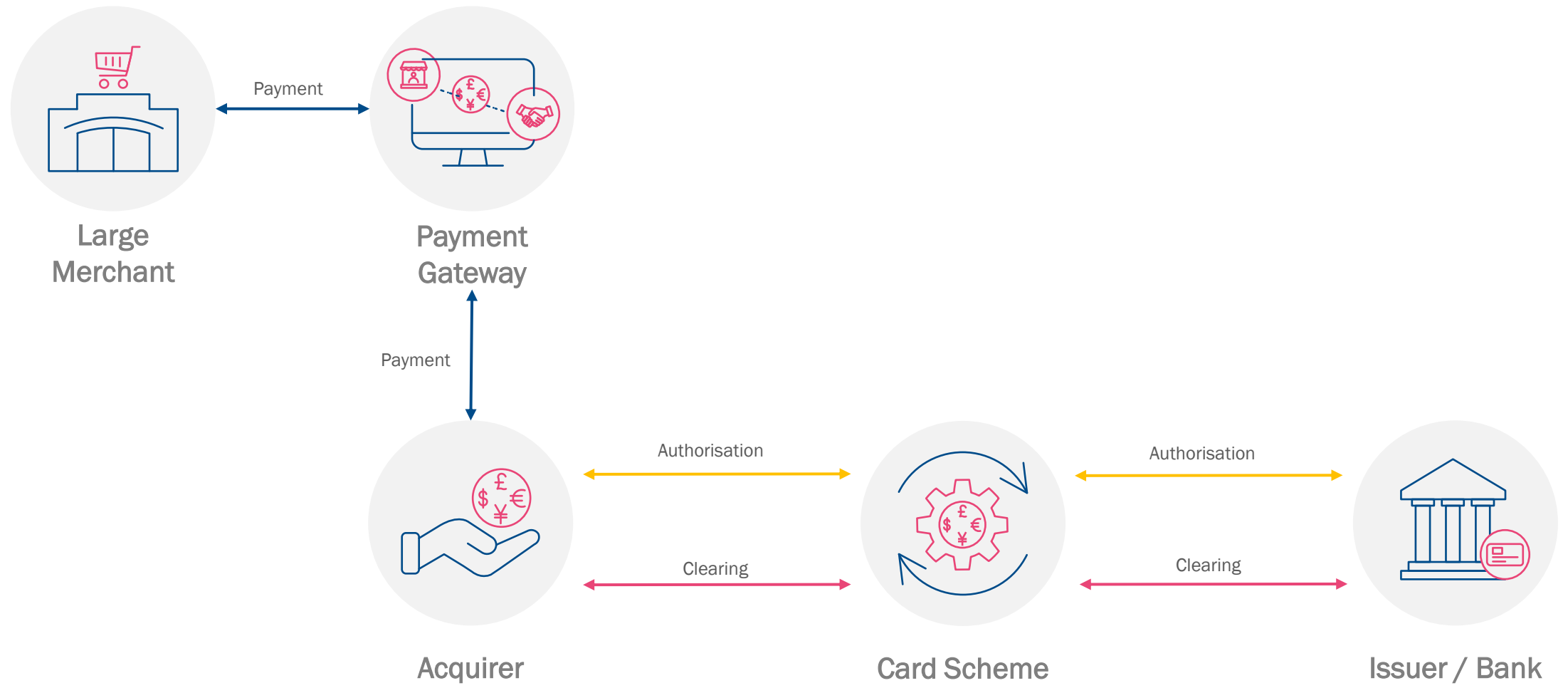
Luke Purser, PSE Consulting

5th December 2023



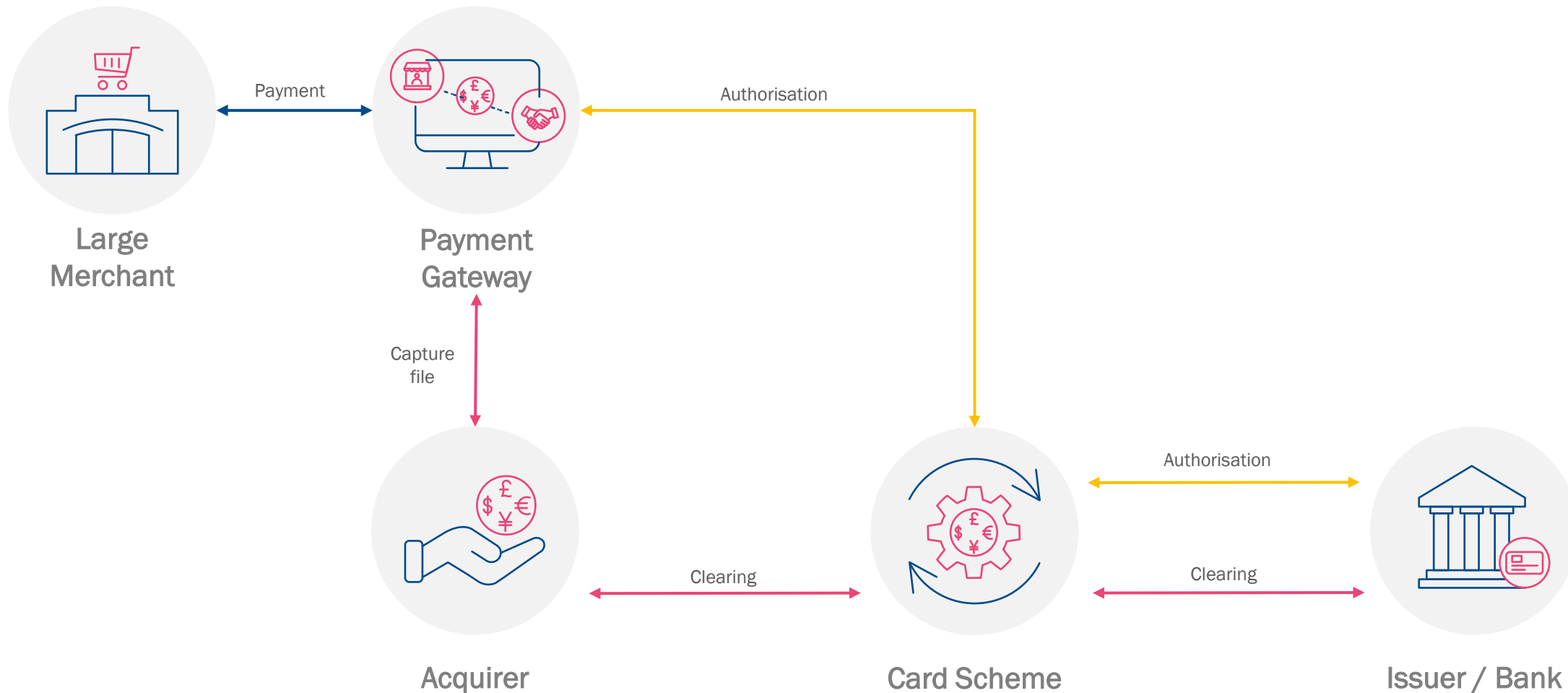
Traditional Transaction Flow - Switch to Acquirer (S2A)

Traditional merchant authorisation flow



Revised Transaction Flow - Switch to Issuer (S2I)

Approach changes the transaction flow with authorisations going directly to the Card Schemes for multiple brands



Overview of Switch to Issuer

The traditional authorisation process flow is evolving as follows:

- Payment gateways are routing authorisation requests direct to the card schemes (S2I)
- Acquirers are no longer part of the authorisation flow and rely of the payment gateway to connect directly with the schemes
- Multiple card schemes are supported through a single connectivity e.g. Visa with support Mastercard, Amex, JCB authorisation requests etc
- Delivery of “a clearing only file” direct to the acquirer for processing



Merchant Benefits



There are several merchant benefits from implementing a direct to issuer model.....



Approval Rates

- Approval rates (therefore sales volumes) are likely to be higher with less parties involved with the process



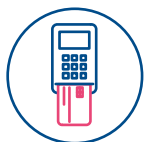
New Scheme Services/Functionality/Mandates

- New scheme functionality will be introduced as part of the standard release and does not require the merchant to wait for their acquirer(s) to implement



Capacity

- Typically, transaction per second (TPS) levels are significantly higher than acquirers and provide merchants with the required capacity during busy times of the year



Multiple Scheme Support

- The approach will support multiple card schemes through one implementation (subject to the acquirer having the required licensing)

Merchant Challenges



....but many potential future challenges with the set up



Acquirer Specific Functionality

- Any acquiring functionality currently supported today may no longer be supported e.g., low-cost routing, loyalty services



Operational Management e.g., fraud management, cut-off times & reconciliation

- Activities which may impact a merchant's operational processes need to be considered
- This includes cut-off times, fraud management and reconciliation processes



Moving Acquirer/Gateway

- If a merchant needs to migrate from an existing acquirer supporting S2I, it may be challenging to find another acquirer to support S2I

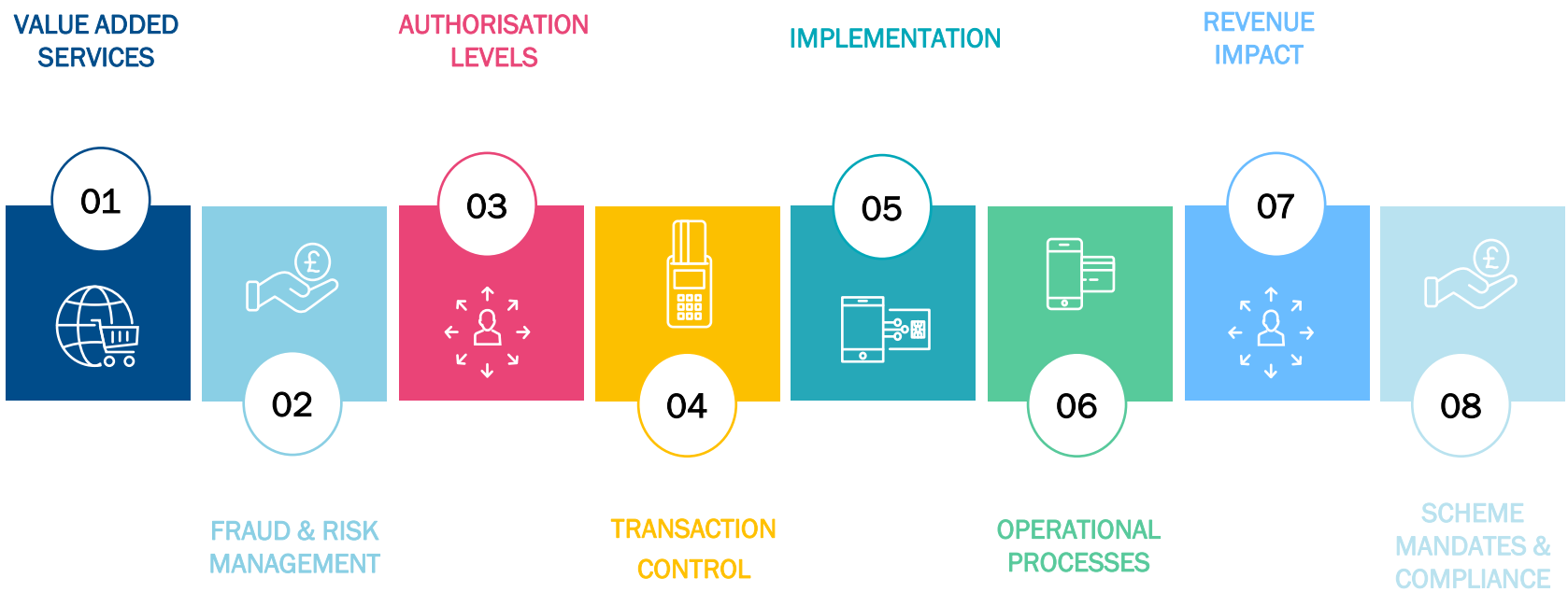


Acquirer Support Required

- Merchants will need to work with an acquirer supporting a S2I set up with the overall transaction processes very different

Acquirer Considerations

Whilst acquirers may come under pressure from merchants and gateways to support S2I, there are many factors to consider

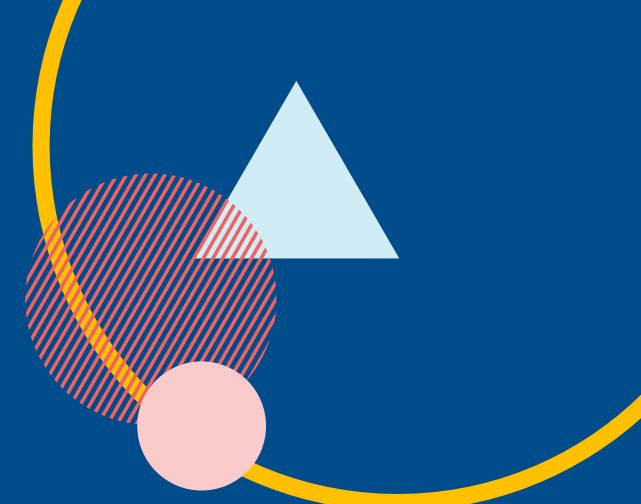
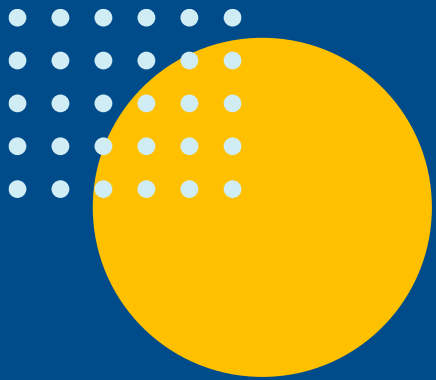


Summary

S2I solutions are being implemented globally and may become more common with the increasing compliance burden

- Different processing models are evolving as demands to provide new services increase and the need to meet scheme mandates
- S2I is one of these operating models providing benefits to both merchants and acquirers
- Several acquirers and markets around the globe are moving in this direction requiring changes across the payments value chain
- There are several considerations for all parties, but once chosen, very difficult to revert back





Thank you

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