



The Instant Payment Card

Initiating a SEPA Credit Transfer at the Point of Sale

01 July, 2020

Thank you for joining this webinar !
We will start in a few minutes

- ▶ Please stay on mute during the presentation
- ▶ Post questions in the chat box at any time
- ▶ During the Q&A we will answer the questions





Alain Martin

Director Consulting, Thales BPS

President of the Smart Payment Association

Agenda

- ▶ Background and where we are coming from
- ▶ Instant Payment card principle, key points and advantages
- ▶ Clarification points
- ▶ Alternative to open banking route

Background and where we are coming from

- ▶ Push for instant payments and a Pan European payment Scheme
- ▶ Many initiatives point towards smart phones and QR codes
- ▶ The need to address a good user experience at the POS, in store
 - Avoiding redirection to bank UI for SCA
- ▶ Open banking and the rationale behind the PSD2 directive
 - Foster innovation and competition





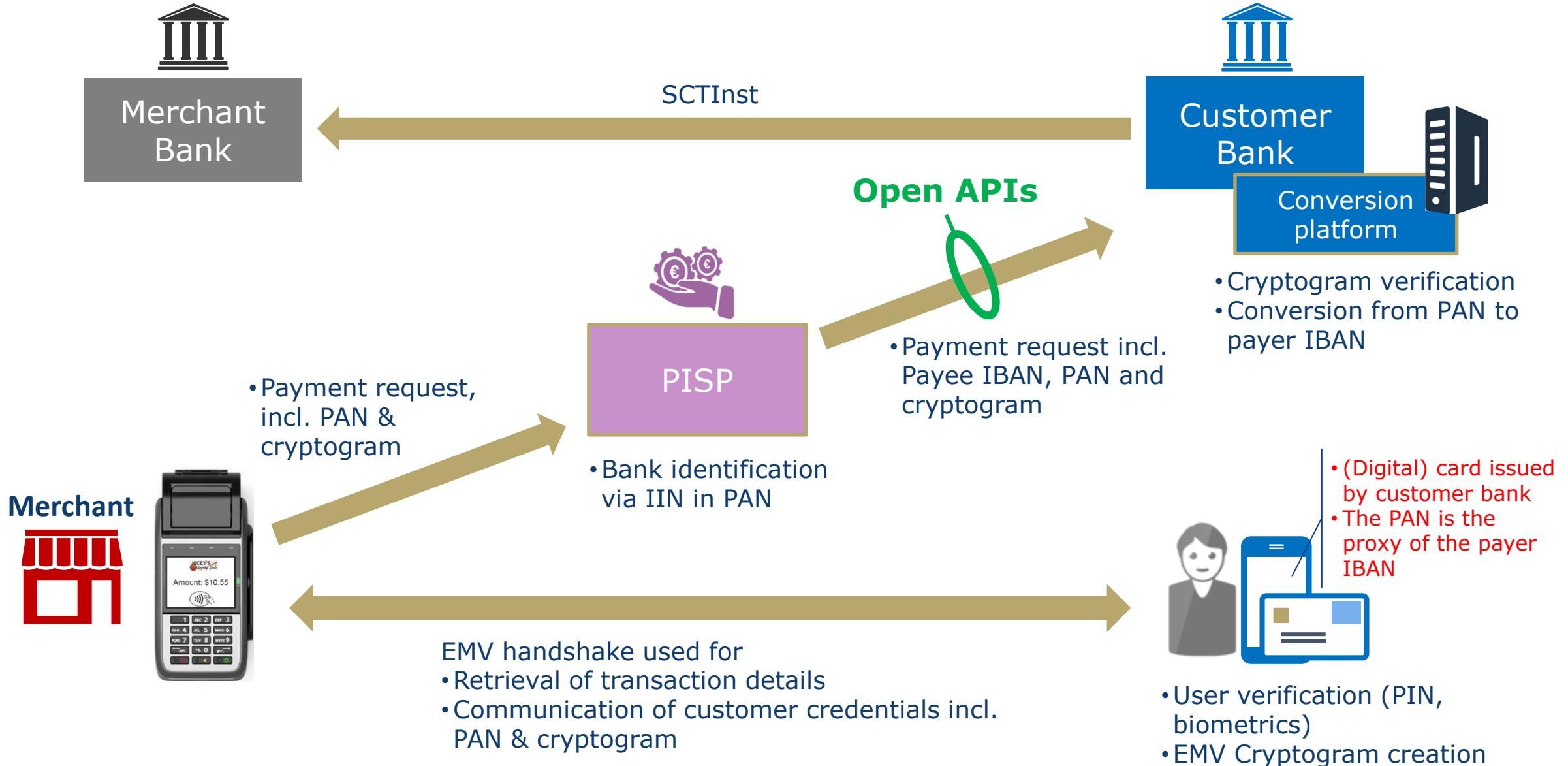
Instant Payment card principle



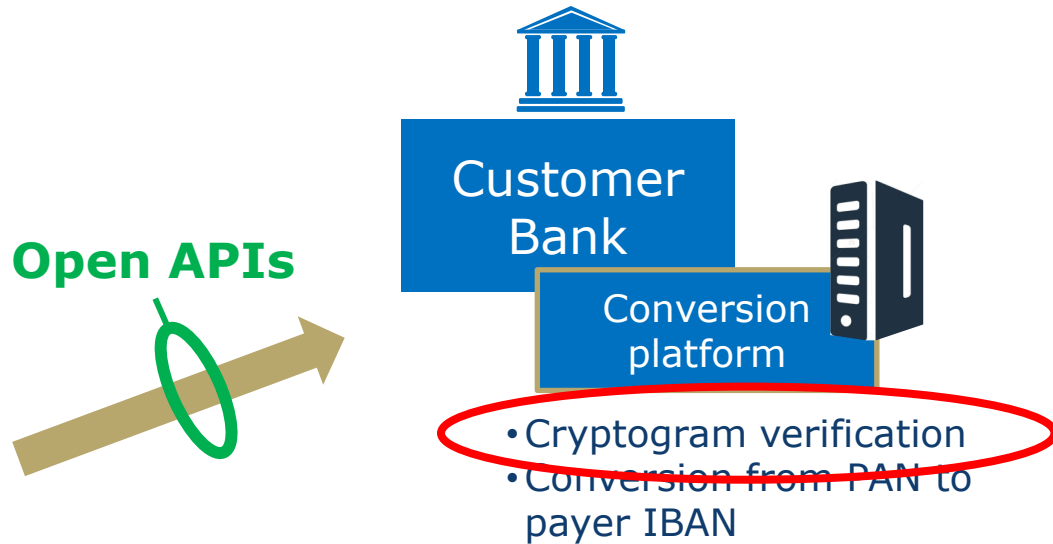
What is it

- ▶ Using a physical or digital card at the POS to initiate an (instant) credit transfer
- ▶ Using the card as a means of identification and authentication
- ▶ Using the EMV standard for this purpose
- ▶ Using NFC as the communication channel with the terminal

Instant Payment Card principle



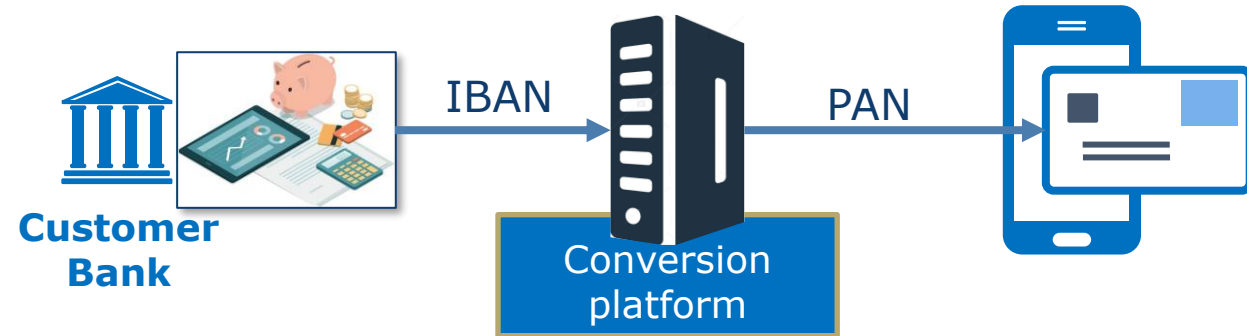
Authentication is embedded in the payment process



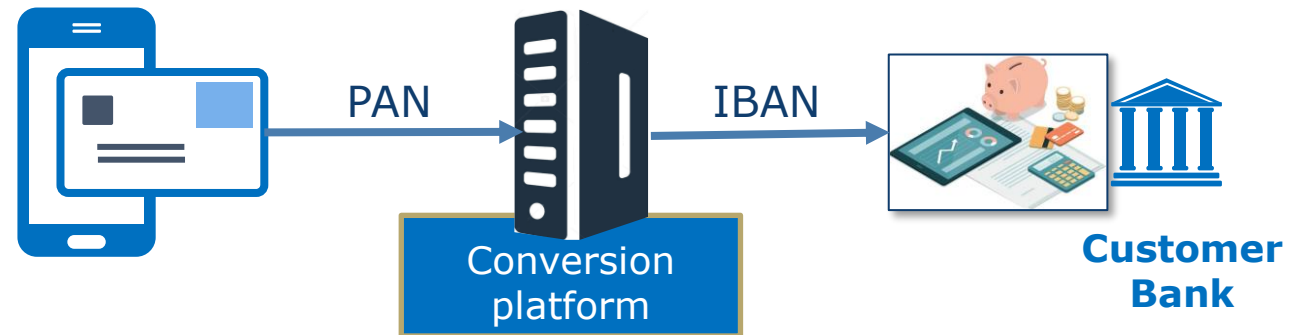
- ▶ The cryptogram conveys proof of possession
- ▶ The cryptogram signs the facts that the user knowledge/inherence was verified by the (digital) card
 - PIN
 - Biometrics
- ▶ SCA performed by Customer Bank
- ▶ No additional step for user authentication

The PAN is a proxy of the IBAN

- ▶ Personalisation / over the air provisioning



- ▶ Payment



- ▶ The customer IBAN is not disclosed to any involved party
 - Security

Advantages: User convenience

- ▶ The solution does not change customer habits and provides a convenient user experience
- ▶ No redirection to bank UI for authentication
 - User authentication is embedded in payment process
- ▶ The solution addresses the trend of using mobile phones for payment
 - Using a mobile wallet with a digital card
- ▶ The solution does not require over-the-air connectivity in the store
 - Reliability whichever the connectivity conditions



Advantages: Re-use of the existing POS infrastructure

- ▶ No hardware deployment needed
 - Provided owner of terminal allows this re-use
- ▶ Terminals have to be upgraded with a new payment application
 - Using a new contactless EMV Kernel
 - A number of readily available white label contactless kernels exist in the market
- ▶ Re-use of existing standard authorization protocols (ISO 8583, ISO 20022, Nexo)

Advantages: Reach and inclusion

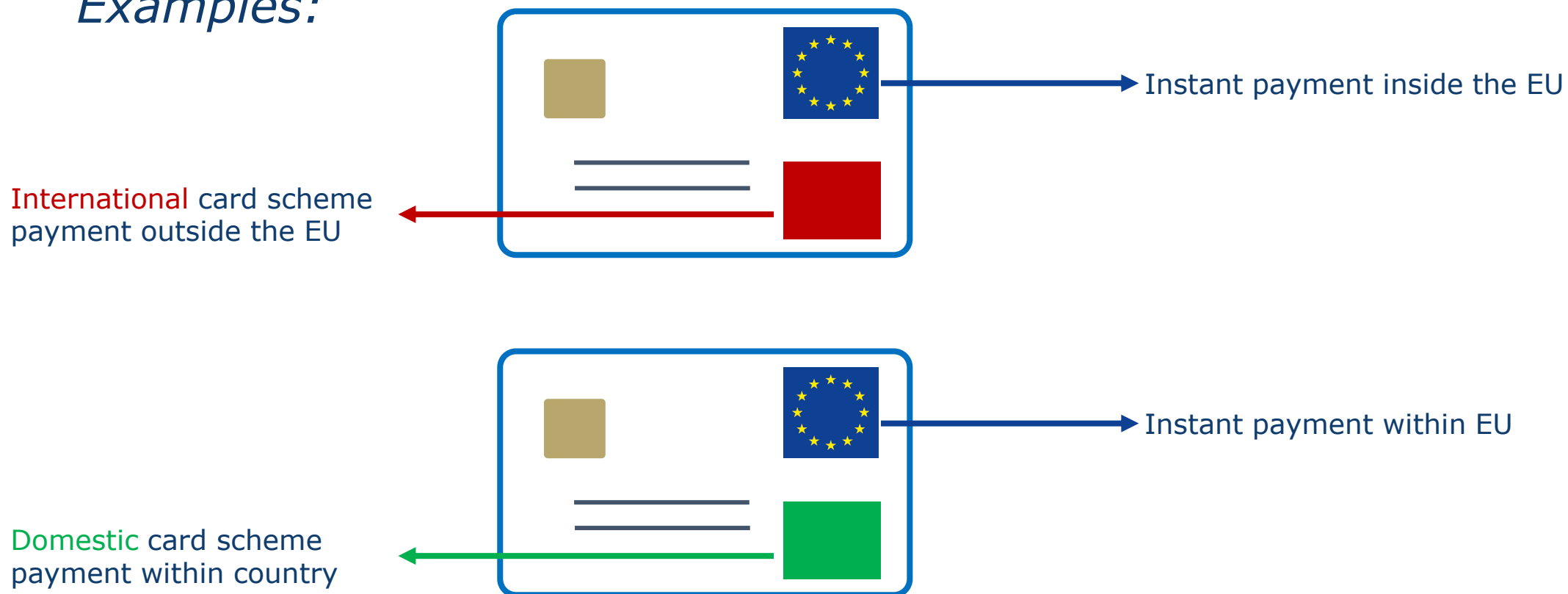
- ▶ Not all users will have an adequate smart phone
- ▶ Not all users will want to use a smart phone for payment
- ▶ The card form factor allows banks to reach that fraction of users
 - Robust image of security
 - Trusted by consumers
 - Accepted in payment terminals in a vast number of stores across Europe



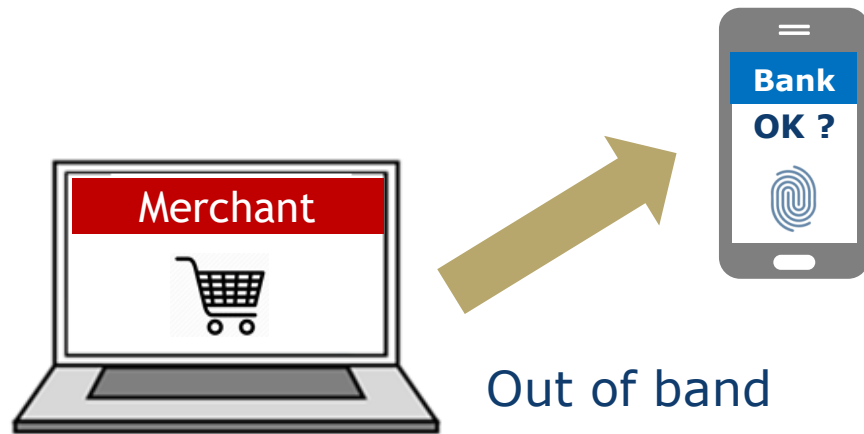
Advantages: Co-existence with card scheme applications

- ▶ The instant payment application can be combined, in co-badged implementations, with current card scheme applications

Examples:

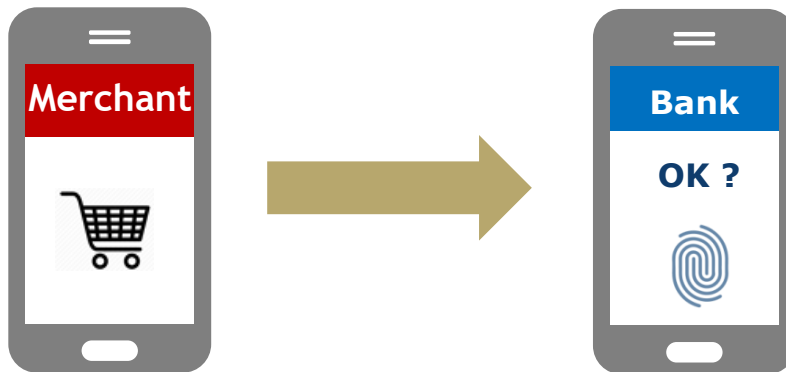


Extension to remote payment with mobile wallet



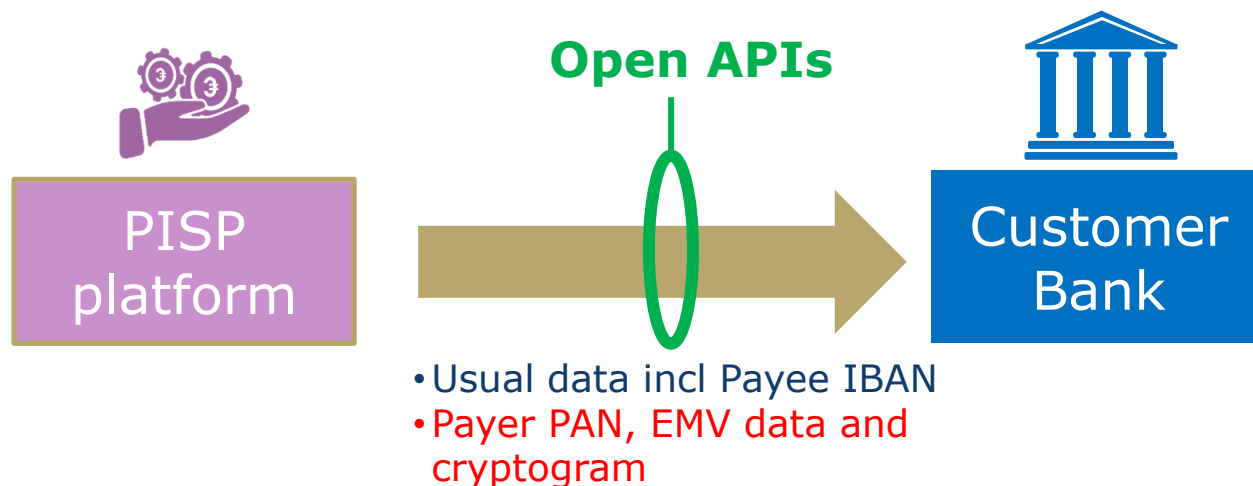
Out of band

- ▶ Same mobile wallet as for proximity payment
- ▶ EMV cryptogram signs transaction details (dynamic linking)



App to app

Open APIs



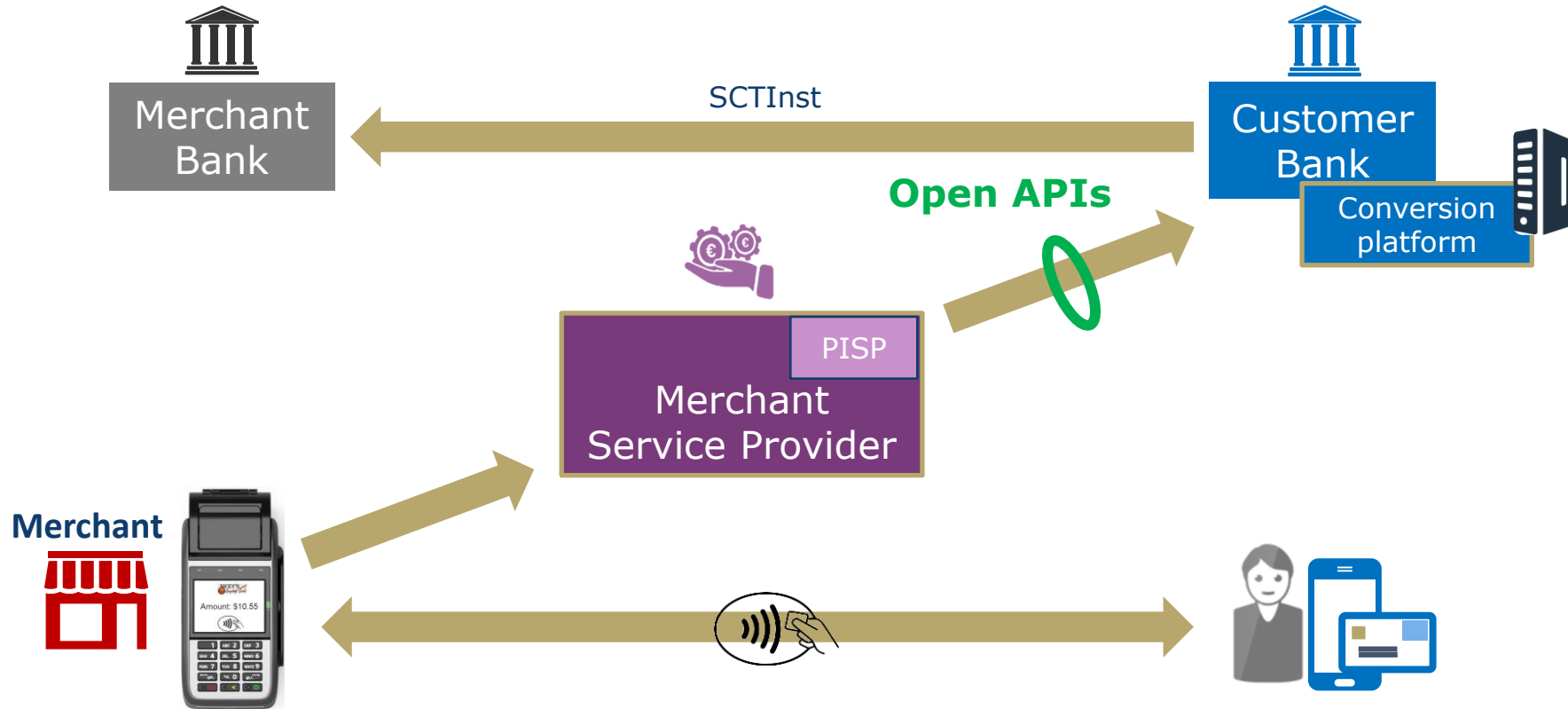
- ▶ Open APIs need to support transmission of authentication data
 - It is an “embedded” authentication model
- ▶ Berlin Group and STET APIs support the embedded model
 - However modifications are likely to support the Instant Payment Card model



Some clarification points



Who is the PISP ?



- ▶ A (incumbent) merchant processor or payment gateway
- ▶ The merchant itself
- ▶ The merchant bank
- ▶ A Fintech...

Must be a regulated PISP to access to accounts via the open APIs

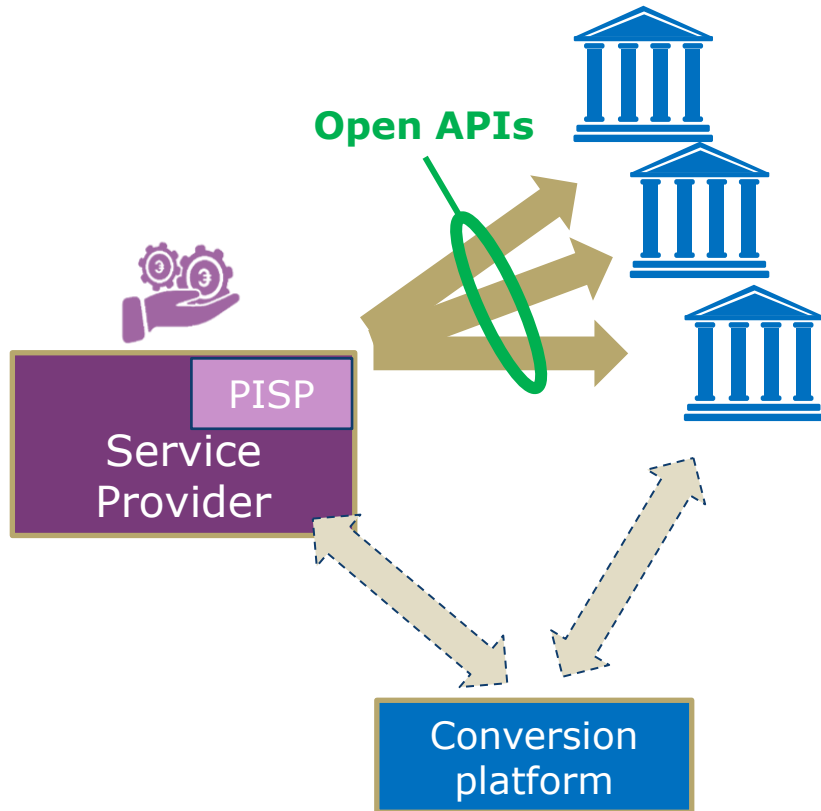
How is user consent provided to the PISP ?

- ▶ The payment terminal's application is the PISP's interface to the user
 - It presents the amount to pay
- ▶ The user, by...
 - checking the amount displayed on the terminal
 - presenting PIN or biometrics
 - voluntarily presenting card/ phone in/on the terminal

...provides consent to the PISP
- ▶ Per PSD2, this must be agreed between the parties
 - Between Payer and ASPSP, e.g. in the GT&Cs of use of the Instant Payment Card
 - Between ASPSP and PISP, in a "scheme agreement"



Should all banks invest in the “conversion platform” ?



- ▶ Not necessarily
- ▶ On behalf service may be offered to several banks
 - By PISP, Identity provider...
- ▶ A delegated authentication or outsourcing agreement should be in place

Where is the business model for the bank ?

- ▶ This question, and others, is out of SPA scope, but the answer is necessary
 - Business model and fees
 - Governance/rules/certifications
 - Brand/Acceptance mark
 - ...

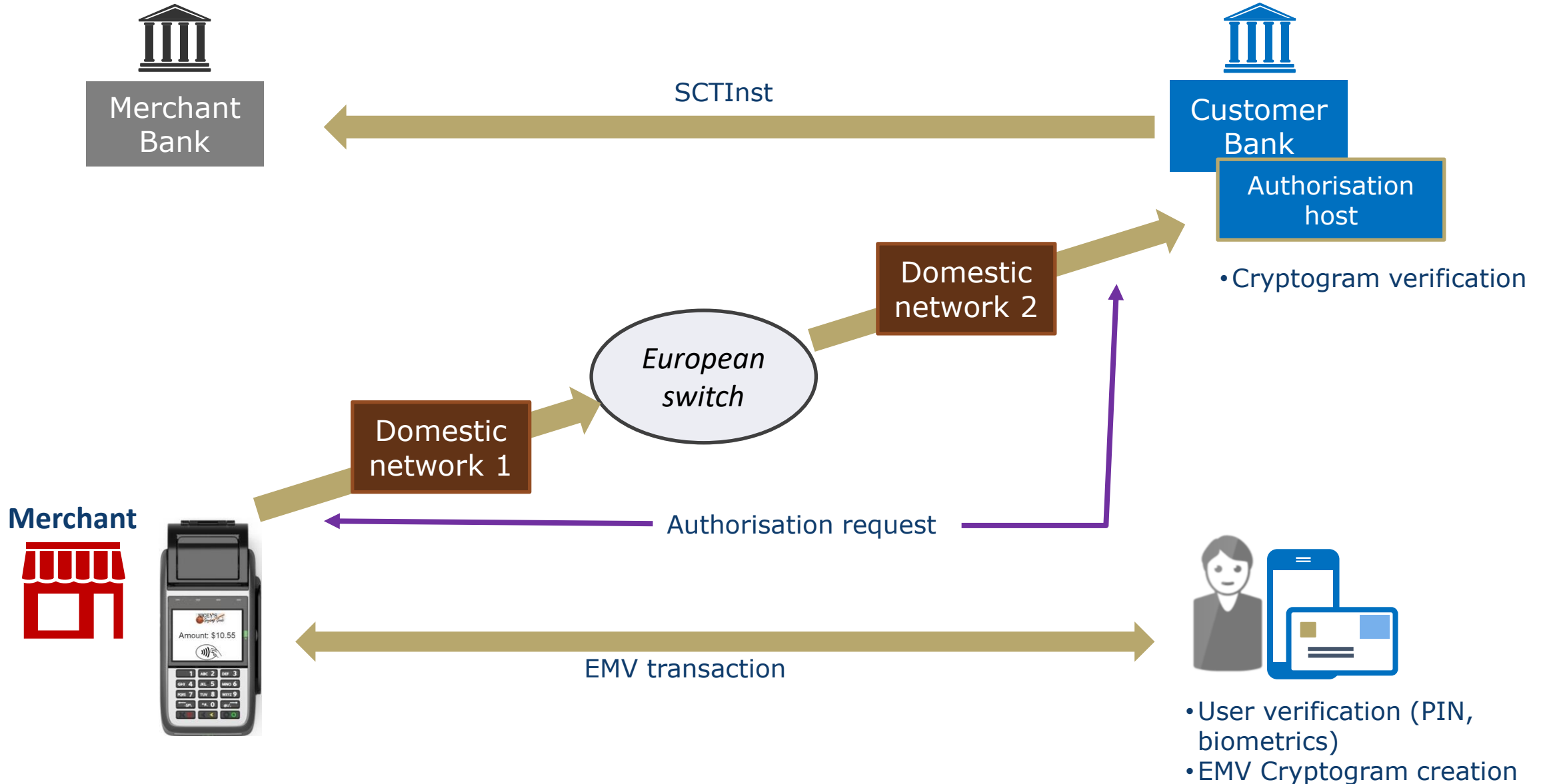
- ▶ These answers are required **irrespective of the payment initiation method**
 - They are linked to the use of Instant SCT



Alternative to the open banking route



Re-use of domestic card networks and authorization rails



SPA agnostic to the approach

- ▶ Same user experience, same benefits for users and merchants
- ▶ The approaches differ on the parties involved:
- ▶ The open API route more in line with PSD2, Open Banking and opening up the market to new actors
- ▶ The authorization route more in line with incumbent actors with more re-use of the infrastructure

Demonstrate that (physical or digital) cards
can play an interesting role in the future of
payments in Europe

And that cards can operate in an open
banking framework

Addressing the key objectives of the European strategy for payment

As described in the “Consultation on a retail payments strategy for the EU”

1. Fast, convenient, safe, affordable and transparent payment instruments, with pan-European reach and “same as domestic” customer experience;
2. An innovative, competitive, and contestable European retail payments market;
3. Access to safe, efficient and interoperable retail payments systems and other support infrastructures;
4. Improved cross-border payments, including remittances, facilitating the international role of the euro





Q&A

The Q&A from the Webinar will soon be available.





White paper available here:

<https://www.smartpaymentassociation.com/index.php/liste-documents/public-resources/position-papers/785-27-04-20-spa-instant-payment-card-initiative-v1-final>

<https://smartpaymentassociation.com/>

