Innovations in Electronic Payment Acceptance

An analytical report on innovations along the activities path of payment transaction, providing a comprehensive overview, while considering customer experience along the path. The report will focus on trends and directions in the EPA markets.

Target audience:
• Regulators
• Corporates working on retail payments market and in specific electronic payment acceptance, including:
  • Commercial Banks
  • payment service providers,
  • mobile money companies,
  • third party processors,
# Matrix of Innovations and Technologies

<table>
<thead>
<tr>
<th>Pre-Transaction Stage</th>
<th>Cards</th>
<th>Mobile Money</th>
<th>Internet</th>
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<tbody>
<tr>
<td>Merchant Acquisition</td>
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<tr>
<td>Underwriting and On-Boarding</td>
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<tr>
<td>Merchants’ HW &amp; SW</td>
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<table>
<thead>
<tr>
<th>During Transaction Stage</th>
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<tbody>
<tr>
<td>Network Switching &amp; Interoperability</td>
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<td>Transaction Authorization</td>
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<td>Clearing</td>
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<td>Settlement</td>
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<td>Value Added Services</td>
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<td>Ex-Post Compliance</td>
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Proposed Structure

Chapter 2: Pre-transaction stage

Merchants acquisition

Merchant Selection

Bank-Merchant agreements

• Typical models

• New models
  – Using Merchant facilitators (Merchant /sub-merchant model)
  – Requirements for Merchants on the web (Payment Gateways)
  – Acceptance agreements on mobile money.

• Country Experiences
Proposed Structure

Charges/Fees

• Typical models

• New models
  – Flat fees model for merchants (Mexico)
  – Small transactions fees (card schemes)
  – Fees of mobile transactions (user or merchant)
    – cost analysis for acceptance through mobiles
    – Need to distinguish payments to merchants
    – Dual roles of merchants and agents
    – Models where there is no merchant fees
  – No fees model (AliPay)

• Country Experiences
Proposed Structure

Underwriting and Onboarding

Merchant KYC

• Typical models
• New models
  – CDD Tiered requirements
  – Requirements of Big merchants vs. Small Merchants (Minimum requirements – Registrar or tax Card, address, …)
  – Using of Agents for CDD
  – Usage of facilitators/Aggregators
  – Registering a merchant as a consumer!
  – Virtual merchants (No physical address)
  – On-line registration – eKYC, eSign
Proposed Structure

Merchant KYC
eKYC
Using Mobile App. And Mobile information (Sim card, ...)
  - Process at PayPal
    - Sending merchant documentation on-line
    - Card at a bank rather than a merchant account

• Country Experiences
Proposed Structure

Under-writing process

• Typical models
  – Factors in underwriting: Merchant type/card acceptance method/delivery method/borrowing capacity/capital/collaterals
  – Approval parameters: monthly volume/average ticket/reserve account/deposit delay

• New models
  – Is there a need for credit risk assessments?
  – PayPal model

• Country Experiences
  – change from Credit pull to credit push and shift in liability
Proposed Structure

New hardware and software for merchants

Hardware and Software

• Typical models
• New models
  – Acceptance Tools
    – M-POS / QR-Code / Mobile wallets / NFC / Audio QR
    – Virtual App based pre-authorization (small values)
  – Web-hosting and using of global gateways and App store aggregators
  – Peer to peer payment (Mobile, PayPal)
  – Tokenization
• Country Experiences
  – API and UPI (India)
## Approach - Steps

<table>
<thead>
<tr>
<th>Task</th>
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<tr>
<td>Stock taking/ verification</td>
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<tr>
<td>Collecting case studies</td>
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<tr>
<td>Drafting the report</td>
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<tr>
<td>Performing analysis and trends</td>
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<tr>
<td>Final draft and design</td>
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<tr>
<td>Review/clearance of the report</td>
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New Business Models

- Merchant Aggregators and Facilitators
- Bill Payment Aggregators
- Payment gateways
- E-Government platforms
The Role of the Regulators

• Oversight of payment service providers
• Regulations
• Licensing PSPs
• Reporting and Inspection
• Encouraging Innovation
Thank You

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