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# DOMESTIC CARD SCHEMES IN EUROPE CHALLENGES, RISKS, OPPORTUNITIES

19th May 2017

# KEY FIGURES

## EXPERTISE AND INDEPENDANCE



2016 sales : **31 M€**  
10% outside of France



**More than 200** active customers

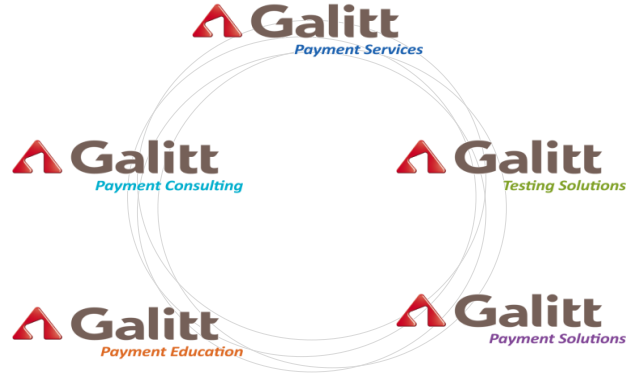


**240** staff, experts in Card Payment Systems  
Including **170** consultants

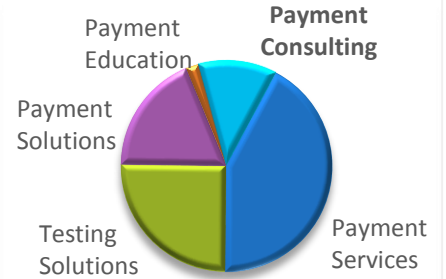


**Privately owned**

## 5 BUSINESS UNITS



## BREAKDOWN



## NETWORK

10 Value added Resellers



Member

- Europe: 1 + Galitt
- North America: 2
- Latin America: 3
- Asia Pacific: 4
- Africa & Middle East : Galitt

## TARGET MARKETS

- Banks & PSPs
- Payment Schemes
- Processors
- Card & Terminal Vendors
- Retail & Oil Companies



# WHAT IS AT STAKE ?

## Top issues to be discussed regarding the future of card schemes

### EUROPEAN FOCUS AND STRATEGY

Be part of European initiatives to enlarge pan-European acceptance, promote EU standards, common solutions and develop cooperation

### DIGITAL REVOLUTION

Adaptation to new challenges (« one click payment », data management, tokenisation, Instant payment,..)

Evolution of card product

### INDEPENDANCY AND CONTROL

Current schemes members and clients are very careful regarding scheme governance and the capacity to remain independent (also technologically)

1

3

5



2

4

6

### COST SAVINGS

Competitive and efficient cost structure/pricing model

The « at cost » model is predominant in domestic card scheme (vs profitable model in competing schemes)

### REGULATORY CHALLENGE

Brand choice at the POS/Brand awareness

Adaptation to PSD2 and RTS (SCA) and potential new interchange Fee regulation for debit card in 2020

### DOMESTIC PROCESSING

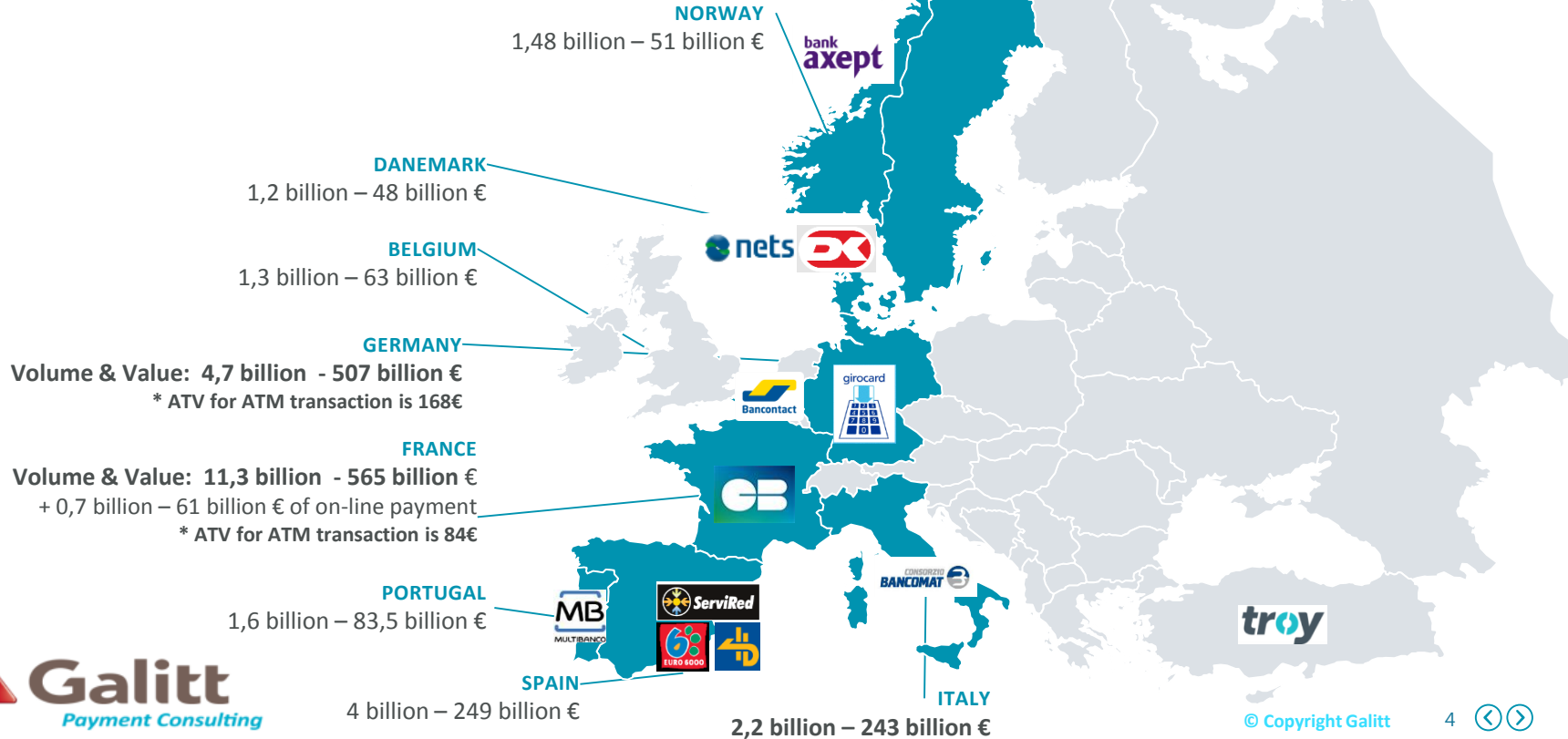
Cooperation with domestic (scheme) processing

Be part of the added-value services brought by domestic payment processing infrastructures is key

# OVERVIEW OF DOMESTIC CARD SCHEMES

Volume and value of card transactions: Payments & ATM

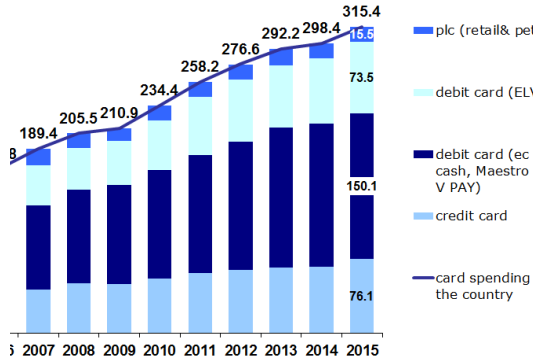
Leading domestic brand(s) in 2015



# OVERVIEW OF DOMESTIC CARD SCHEMES

Still strong market opportunity for domestic schemes

CARD SALES VOLUME 2016 – 2015 (BILLION €)



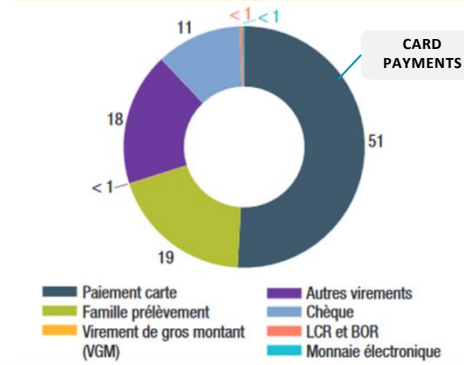
## GERMAN EXAMPLE

Girocard POS transactions : + 13% in 2016, (2,93 instead of 2,6 billion in 2015)

Still a lot of potential in consumer spending: 36% paid by card in 2015 (50% in France; 47% at EU level) – About € 560 billion additional spending (Paysys)



SHARE OF PAYMENT MEANS FOR PAYMENT TRANSACTIONS VOLUME (%)



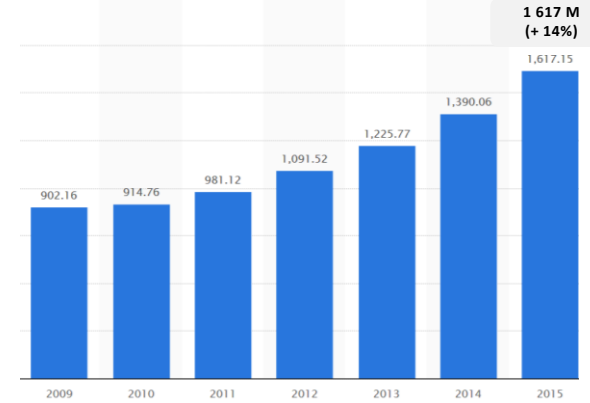
## FRENCH EXAMPLE

Steady increase of cards sales volume, (4,7% yearly)

Decrease of cheque volume, strong increase of smaller ATV at POS (contactless) and increase of web payment (+ 14% yearly) mainly by “CB” card.

Still high potential for card acceptance : health sector, public administration,..

TOTAL NUMBER OF DEBIT CARD PAYMENT IN ITALY (MILLION)



## ITALIAN EXAMPLE

About 75% of the total are from BANCOMAT debit card transactions

Dynamic market, with potential benefit for the domestic scheme.

“Transit project” in progress with EMV card, that will also sustain card activity

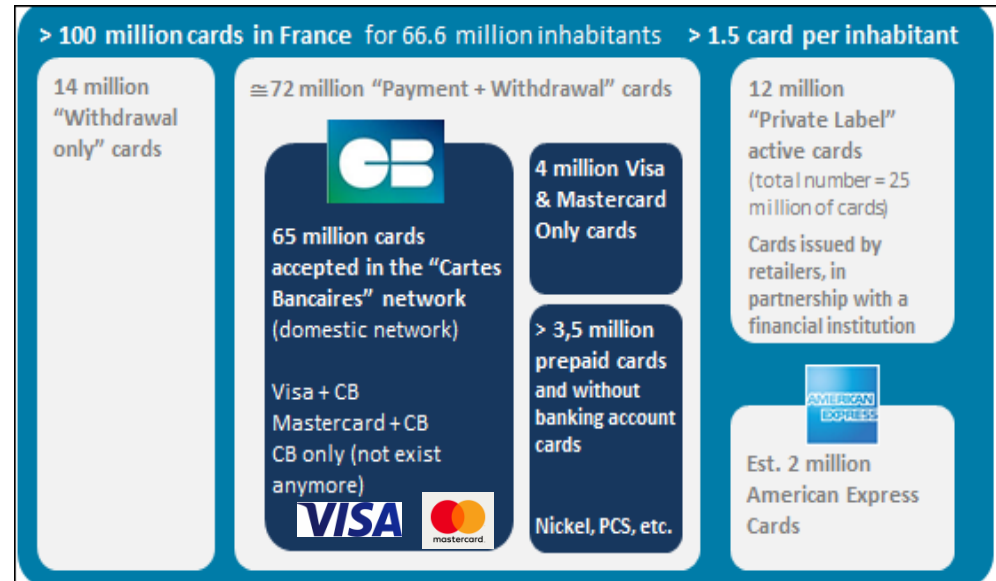


# MARKET SITUATION IN FRANCE - THE "CB" CARD SCHEME

## SCHEME PROFIL

- European 4 party local card scheme, mainly active in France (0,7% of POS transactions acquired outside of France)
- Debit & credit card scheme
- Over 12 Billion transactions in 2016 for **all** transactions type **with the same "CB" card**:  
Credit, debit, prepaid, commercial, e-Money, Lunch Vouchers...  
Withdrawals, Contact and Contactless payments, MOTO, Internet and mobile payments, highway tollgate, Automated machine,...

## KEY COUNTRY CARD PAYMENT DATA – "CB" LEADERSHIP



# MARKET SITUATION IN FRANCE - "CB" CARD TRANSACTIONS VOLUME

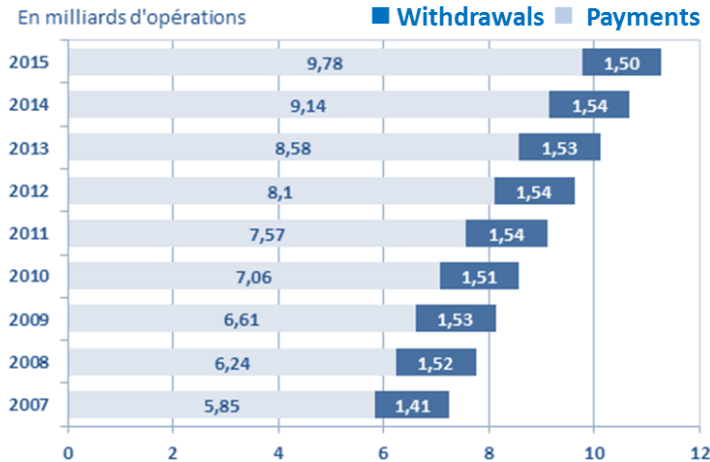


9.8 billion payments + 7% ↗  
1.5 billion withdrawals - 2% ↘

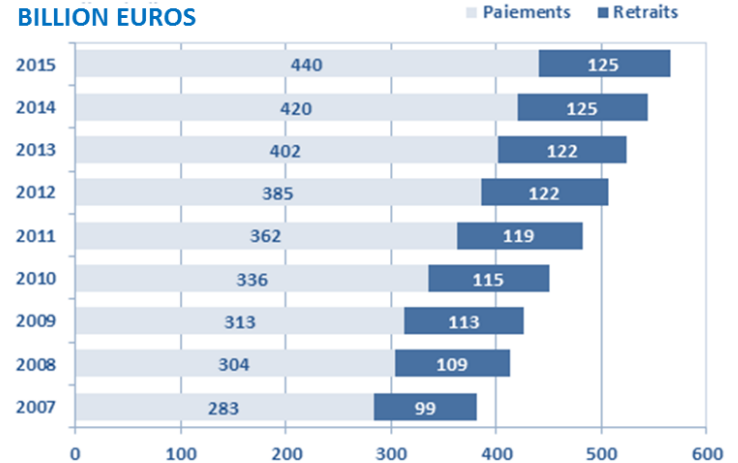


440 billion euros of payments + 5% ↗  
125.4 billion euros of withdrawals + 1% ↗

### Total number of transactions



### Total value of transactions (€)



The number of card payments (volume and value) are still strongly increasing.

# CHALLENGE AND OPPORTUNITIES FOR "CB" CARD SCHEME

A growing market pressure that forces the domestic scheme to change and adopt new strategy

## EUROPEAN FOCUS

Partnership and collaboration with others schemes

E.g: "CB"/Girocard agreement for cross-acceptance of POS solution compliant with OSCAR specifications (2015)

## COST SAVINGS

Maintain the highly competitive position of the Business model : scheme costs and processing costs

Find new revenue and services for bank customers

Face competitor schemes at national level:

- Fierce competition on processing side (large retail)
- Proposal from competitor to capture card portfolio

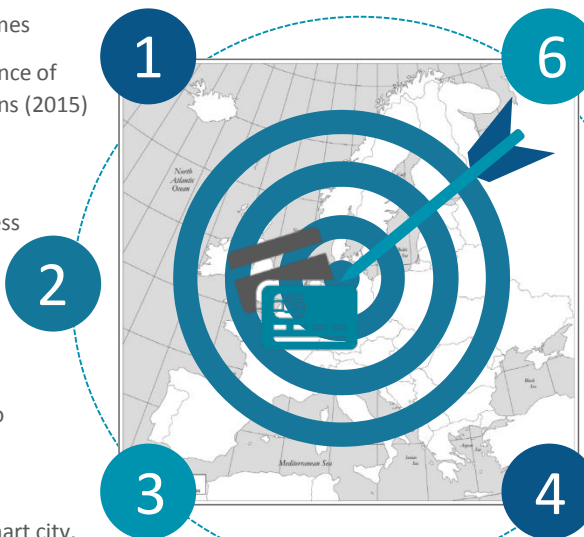
## DIGITAL REVOLUTION

CB Innovation Lab. = "Lab by CB" : In-car payment, smart city, Open payment project within public transport

Accelerate the deployment of the banking wallet



Fully involved in the deployment of Nexo standards at EU level



## DOMESTIC PROCESSING



Reinforce the partnership with the domestic infrastructure for authorisation and clearing: processing competitiveness of STET is key

Foster banks collaboration with STET for the development of new features: full-online, Dual and Single message, instant payment capacity, tokenisation service launched

## INDEPENDANCY AND CONTROL

Capacity to keep "CB" scheme and the domestic infrastructure as a owned asset is important for the banks



Co-badging agreement to be extended

## REGULATORY CHALLENGE

"Ban on interchange fees for debit card transactions" is planned by the EU Commission: 2020 ? ( see foreword of the EU regulation 2015/751)

Brand choice at the POS not in place currently for Face-to-face payment

For e-payment, significant impact of brand selection implementation





# SUCCESS FACTORS FOR DOMESTIC CARD SCHEMES



## Take advantage of market trends

Card transaction share is growing everywhere in the EU (vs other payment instrument)

Card techno. support many “digitalized payment processes”

“Cashless society” is an inevitable trend...



## Focus on scheme competitiveness

Preserve economic balance and advantages for all parties, all stakeholders of the Four-corner model scheme

Re-think a business case for debit card



## Propose a brand strategy and keep a local offer

The scheme brand should emphasise all the scheme assets (Security, Interoperability, Technological know-how,..)

Payment usage are different country by country: specific local payment offer is needed



## Work closer with the retail sector

Close cooperation with larger retails and retail federations to develop new customer journey (Payment/Data management) and succeed in deployment of European standards



## Cooperate with European partner scheme(s)

Interoperability of “card services” between schemes (cross brand acceptance agreement): NEXO & ATICA standards are alternative to domestic standards

Pan-European payment solution based on tokenised IBAN directory



## Develop innovative payment services

Extension of the services range to the whole Purchase/Ordering /Delivery processes

Focus on Customer “mobile” interaction

Domestic scheme at the center of the new digital eco-system

# CONCLUSIONS AND TAKES-AWAYS

## Domestic scheme evolution is crucial to overcome challenges



### RE-DEFINE THE VALUE PROPOSITION AT “GEOGRAPHICAL LEVEL”

In the past, before SEPA, co-badging agreements had allowed a quite clear market repartition between domestic and International card schemes.

This time is over. Within achievement of SEPA for card, new framework agreement needed with ICS at international level ? New partnership opportunities ?

Challenging co-badging could imply a new EU brand acceptance for domestic schemes



### MOVE FROM A “CARD” SCHEME TO A PAYMENT SCHEME

Exclusive card scheme services is probably obsolete, because the market need services range extension to different payment instrument/processes

Several type of card scheme : Debit card/Debit & Credit/Payment instruments Scheme

Evolution to “Payment scheme” : Currence example in the Netherlands



### PRESERVE GOVERNANCE AND TECHNOLOGICAL INDEPENDANCY

Development together their own specifications (tokenisation,...)

Encourage pan-European cooperation whenever it’s possible

## • 5 BUSINESS UNITS DEDICATED TO PAYMENT MARKETS



With our expertise, innovate and create tomorrow's payments



Rémi GIZINGER  
27 employees



Audrey GRANJARD  
95 employees



With our know-how, design efficient and innovative payment systems



With our testing and certification services and tools, validate the quality and conformance of your payment systems



Vincent MESNIER  
65 employees



With our solutions, build and run your private label or fuel card systems and electronic transactions efficiently and securely



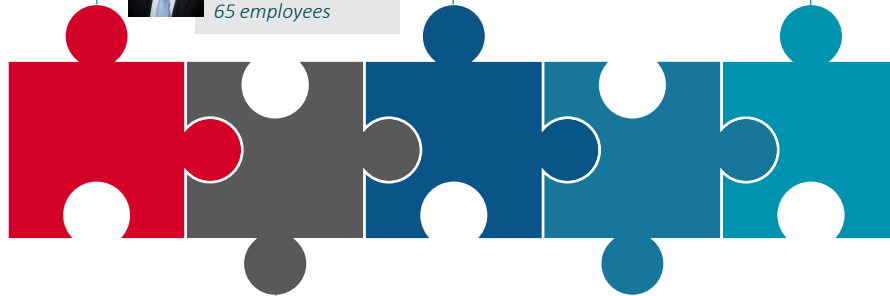
Jean-Michel MAMANN  
40 employees



Gérard DE MOURA  
2 employees + trainers

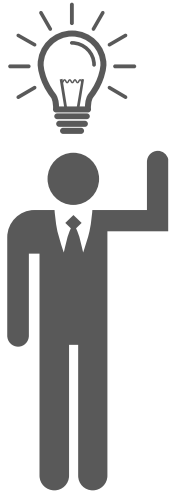


With our trainers, enhance your knowledge of payment systems changes and emerging technologies



# PAYMENT CONSULTING BUSINESS UNIT

A multidisciplinary Research and Expertise unit : security marketing, innovation, regulation



## Marketing des paiements

Marketing offre



*Product Marketing*

Marketing opérationnel



*Marketing operations*

Observatoires Benchmarks Veille Paiement



*Studies, Benchmarks, Payment watch*

Analyse et protection de données



*Data analytics*

## Paievements innovants

Stratégie et innovation



*Strategy and innovation*

Paievement digital



*Digital Payment*

Règlementat°



*European Regulation*

Modèles économiques



*Business models*

## Plateformes et Sécurité

Plateformes de paiement



*Payment Factory*

Sécurité



*Security*

Lutte contre la fraude



*Fight against fraud*

Certification



*Certification*

# TYPES OF MISSIONS

## ABOUT THE BUSINESS UNIT **PAYMENT CONSULTING**



### PRODUCT MARKETING

- Marketing audits
- Feasibility studies
- Ranges of products revamping
- Product concept definition
- New offerings positioning
- Qualitative and quantitative studies
- Customer journey and user experience



### OPERATIONAL MARKETING

- Marketing project management
- Product launches
- Sales support tools development
- Retail network training
- Project steering and sales animation



### STUDIES, BENCHMARKS & PAYMENT WATCH

- Competitive analysis France/World
- Product watch
- Sector studies
- Country studies
- Observatories



### STRATEGY & INNOVATION

- Strategic study and analysis
- Feasibility studies
- Product positioning
- Business model
- Regulatory analysis
- Ecosystems analysis
- Partners search
- Technological watch and innovation
- RFI/RFP for innovative projects



### OPERATIONAL STUDIES

- RFI, RFP Project management
- Suppliers selection
- Comparative studies of solutions
- Change in standards



### REGULATORY ANALYSIS

- Regulatory impact assessments (interchange regulation, DSP2,...)
- Regulatory analysis : secure authentication of transactions, data protection, etc.
- Analysis and case-preparation for the authorization of creating EP / EME



### BUSINESS MODELS

- Economic modelling : payment systems, Issuing & Acquisition activity
- Regulatory impact assessments (change in interchange fees...)
- Visa/MasterCard cost optimization study
- Elaboration of business cases and revenue models



### AUDITS & SECURITY

- Quality and security audits of customization websites
- EMVCo Audits / Modular Approach
- Audits PCI (QSA auditor)
- Risks analysis, tokenizations, certifications

## CONTACT



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