

## **Bankcard Issuing Processing in Europe**

The Frankfurt (Germany)-based consultancy PaySys GmbH did a research concerning the issuing processing in Europe of the TOP 25 Issuers in Europe. The main questions were: What are the processing usances of the issuers? Are they doing inhouse processing or have they outsourced their processing? From the TOP 25 Bank Card Issuers (MC/EC and VISA) in Europe end of 1998 10 were based in the UK, 5 in Spain, 5 in France and one in Germany, Italy, the Netherlands, Portugal and Sweden each.

The processing usances of the TOP issuers in Europe are very different and could be explained by a country-specific processing structure and roles of issuers, bankowned processing networks and third party processors as result of a local evolutionary process.

Nine of the 25 issuers (36%) have outsourced their processing to a third party processor (i.e. FDR, EDS, Experian). It is surprising that also 36% of the number of cards issued (26,4m) are processed by a third party processor.

In the UK there are some differences: 7 of the 10 TOP issuers have outsourced their processing, but this concerns 56% of the issued bank cards.

In France and Spain, processing is an inhouse business of the major issuers. Main reasons in France are the dominance of debit cards and the overall authorization and clearing network of Cartes Bancaires.

Today, bank joint ventures with few competitors (e.g. the Netherlands, Austria) still dominate the market. Only in a few countries, e.g. the UK, Germany, Italy, there is a big competition between the different processors. Although in both cases the card issuing and card processing is still a national and local business, changes are already perceptible: On the one hand the uprising cooperations and mergers of several banks could lead to dramatical changes in card processing. On the other hand the cross border processing is becoming more important and attractive within the increase of cross border issuing and acquiring. Probably, there will be pan-european strategies of issuers, acquirers and processors with more competition and thus national boundaries will become obsolete. Newcomers could seize the opportunity and could enter into the processing market. These changes could mean for the existing traditional bank joint ventures and third party processors that they will be struggling for shares in the European processing market and thus will have to adapt to these changes.

Some experts state that the changes could be a sign for a trend to inhouse processing in Europe, other experts see a bright future for neutral third party processors and predict that cross border processing will accelerate within the European Union. The results of the PaySys-research show that no clear trend can be seen.

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**PaySys Financial Services Consultancy GmbH** was founded in 1993 as an independent and neutral payments systems consultancy with a specialisation in card business and card processing. The company is now very well established and includes amongst its customers some of the largest banking and interbank companies within Germany and Europe. PaySys offers an extensive range of consulting services. These include electronic banking, card processing, chip and smart card based applications, as well as services to the traditional marketplaces of money transitions etc. PaySys Financial Services Consultancy GmbH should not mixed be up with a Software-Company in the USA with the same name.

