

## ONLINE PAYMENTS MARKET GUIDE 2012

INSIGHTS IN THE WORLDWIDE ONLINE PAYMENTS MARKET



OVER  
400  
COMPANIES  
WORLDWIDE  
INSIDE

“ Ecommerce Europe, the association representing companies selling products and services online to consumers in Europe, strongly recommends this guide as a rich, highly valuable source of business intelligence ”

**Paul Alfing - Chair of the E-payments Committee - Ecommerce Europe**

“ Merchants understand that diversifying their payment options, as well as developing their cross-border business development, is key to building and increasing their business. This is why the MRC welcomes The Paypers initiative in publishing the guide, as it brings clarity and guidance to merchants' business options ”

**Nicolas Vedrenne - Managing Director - Merchant Risk Council Europe**



## EPIF



### Cross-border Business Transactions: Key Barriers and Opportunities

Whatever business you are an expert or world leader in, it is quite likely that making or receiving payments from another country is one of the most problematic areas for your organization. In 2012, with all of the technological advancements that we have seen over the last 20 years or so, it would be easy to think that moving money from Manchester to Mumbai should be as easy as moving money from Manchester to Macclesfield (around 10 miles away). However, it is not!. Could the use of online and mobile payments help in this area?

Before addressing the question it is important to clarify what we mean by both business transactions and by online payments. For the purposes of this article business transactions are taken to be those sent between one business and another for business purposes or between a business and an individual for salary/pension purposes.

Online payments are those made using an electronic device (computer, tablet or phone) at either end of the payment. This could be purely for access to a traditional type of banking system or it could be by using a mobile wallet or stored value method.

#### Current challenges

There is undoubtedly potential for online solutions to assist in this area – after all we are talking about a USD 13 trillion market. But first, what is wrong with the current situation? Well, most international business payments are made from a desk or in a bank branch. For most smaller businesses, it still involves completing a form in paper, physically leaving the office premises, going to a bank branch and waiting in line with everyone else. For many organisations this last element alone can take a number of hours each day. For others, at least there is now the opportunity of undertaking each transaction online and for storing the details of regular beneficiaries..

Aside from the sheer inconvenience of the current system, there are also the facts: that cross-border payments are expensive, in terms of fees and foreign exchange rates charged by banks, and they are slow. In most circumstances, it takes at least two days between the money being sent and it being received – vital time in the business cycle.

There is not sufficient space to describe why these imperfections exist, but let us examine whether online payments can help solve them and also what barriers there may be.

#### Online solutions

Online payments could provide a potential solution to a number of these problems. Firstly, simply by using the computer as a remote access device to their bank account, companies can make payments without the need to leave the office or wherever the payer is.. This simple improvement undoubtedly leads to enhancements in productivity of several hours per day.

If more complex linkages between banking systems and online/mobile networks are developed, it is possible to see the actual transfer time reduced to a same-day or next-day service. This will, of course, require an improvement in inter-bank settlement times and conventions.. It is possible, even in the current environment, for business to make same-day payments, but it is not seen particularly often for most business payments.. Whilst a computer or a mobile phone can be seen as an excellent source for transmitting information, the funds for settlement will still have to move via a value mechanism and this could involve developing a separate system to the current banking systems or improving the banking systems themselves.

If a separate system is developed for online/mobile business-to-business payments, this would also have the benefit of introducing significant price changes.. Just look at how the development of the internet and the mobile phone has affected the price of international cross-border phone and data charges. A new system will also enable payments to be made in those rural areas where there are not many bank accounts.



**Leon Isaacs, Vice-President and Chair of the Public Affairs Working Group EPIF**

Naturally, there would be a number of challenges to be overcome for this type of innovation to be successful. Probably the biggest challenge is that there would have to be integration between banking and internet/mobile networks at a payments level. This really means having highly advanced security mechanisms.. Fraud and security breaches are key areas of attention in all financial systems and it will be critical to address this here as well.

A connected area is that whatever system is used, it has to engender trust. Not only is trust in the technical systems that are being used essential, but it is vital that any customer using the service knows that their money is going to be safe and that it gets there on time. This involves regulators, bankers, mobile operators and money transfer companies. They will all need to co-operate, they will all need to be able to make money and they will all need to keep the interests of the business customers in mind.

So far, banks in most developed countries offer some form of online cross-border payment to some of their business customers. However there are many customers that do not yet have access to these services. The extension is now technically possible for all banked businesses and there are not any specific know-your-customer issues about the sender (for the sending bank) but there are many challenges for the sending bank in respect of the receiving entity. This area is difficult to address as obtaining data on the beneficiary is often difficult and banks have to resort to negative databases.

Making business payments online offers great potential to save time and money for businesses. If efficient services can really be developed then everyone can win. However, to do this there needs to be a truly cooperative effort between all stakeholders – banks, regulators, money transfer companies and potentially mobile operators. Let us hope that we can move from competition to co-operation in this area.



**ABOUT THE COMPANY:** EPIF REPRESENTS THE INTERESTS OF THE PAYMENT INSTITUTION SECTOR AT A EUROPEAN LEVEL. ITS MEMBERS REPRESENT THE BROAD RANGE OF BUSINESS MODELS COVERED BY THE PAYMENT SERVICES DIRECTIVE (PSD) AND INCLUDE COMPANIES AND NATIONAL ASSOCIATIONS FROM EVERY PART OF EUROPE. EPIF SEEKS TO REPRESENT THE VOICE OF THIS INDUSTRY WITH EU INSTITUTIONS, POLICY MAKERS AND STAKEHOLDERS. IT AIMS TO PLAY A CONSTRUCTIVE ROLE IN SHAPING AND DEVELOPING MARKET CONDITIONS FOR PAYMENTS IN A MODERN AND CONSTANTLY EVOLVING ENVIRONMENT.

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