



# Empowering open banking for payments service providers

**Account-to-Account payments**

(based on PSD2 banking APIs)

# Faster payments based on new payment initiation service

**PSD2 introduces a new convenient, secure, fast and cheap account-to-account payment method facilitating API-based Payment Initiation Service.**

One of the European Union's objectives with the second directive on payment services is to open up the financial market to new players with innovative and competitive services. Such Third-Party Providers (TPPs) can access the consumers' bank accounts based on a consent granted by the account owner. TPPs can offer new account information and payment services by making use of the Application Programming Interfaces (APIs) provided by all European banks. To ensure the necessary security standards, the TPP must apply for a dedicated PSD2 license and is supervised by the responsible National Authorities.

The so-called Payment Initiation Service (PIS) enables a TPP to initiate a payment request based on SEPA credit transfer, with the account holder's explicit consent (payer), from their online bank account to pay for goods or services in physical stores or online shops. The required consent is authorized by the two-factor authentication means provided by the account holder's bank. Due to the easy and comfortable API access, service providers can add this new payment method to their portfolio as a cheap and secure alternative to the traditional payment methods such as direct debit or credit card payment.

Such a new payment method depends on the acceptance of users, who needs a seamless and secure shopping experience based on the mobile usage.

## User experience

In the e-commerce scenario (online account-based payments), the consumer will first select his bank and the related account (in many cases, this becomes part of the merchant portal's registration process). He will authenticate via the Strong Customer Authentication SCA provided by his bank. Afterwards, he receives the confirmation of the payment initiation. The merchant receives a confirmation notification after the successful payment initiation. In case of instant payments, this will happen in a few seconds.



With in-store payments, the payment details of the purchase are transferred to the shopper's mobile device. The transfer can either be done through scanning of a QR code, using NFC, Bluetooth or through similar technologies at the payment terminal or the cashier system. The consumer experiences the same journey as shopping online using his mobile. According to the PSD2 rules, the user experience can even be improved in certain situations, as some SCA exemptions will apply, e.g. for low-value payments, trusted seller or recurring payments.

# Benefits for consumer and merchants

The consumer is looking mainly for a frictionless shopping experience with secure and user-friendly payment options usable through all sales channels and supported by his mobile device. He expects to receive additional benefits from the merchant like product-related information or loyalty benefits through the smartphone.

For merchants, the new account-based payment methods lead to a considerable reduction of costs thanks to the absence of classical schemes involved (no scheme fees). With the introduction of instant payments, the settlement is done faster, and no additional services are required to guarantee the funds.

Payment Service Providers can use account-based payments to reach new customer segments in new markets like payment of government services, high-value payments or corporate payments Business-to-Business payments).

The comparison between account-based payments and card payments shows that consumers can benefit from using their mobile phones, the higher level of security, and the possibility of paying higher amounts. The merchants will eliminate the costs for the interchange and scheme fees and have the funds available at an early stage. Compared with SEPA Direct Debit, the consumer does not have to sign any mandate and keeps full control over the payment initiation. Merchants will benefit from the better irrevocability of the payment transaction.

## Benefits for consumer

- Seamless shopping experience
- Usage of mobile devices
- Additional benefits (loyalty program)
- Frictionless usage in different sales channels
- Full control of the payments (bank account)
- Data protection and security



## Benefits for merchants

- High conversion rate
- Low processing costs
- Fast settlement and efficient reconciliation
- Support of different channels
- High security and fraud reduction



## Benefits for payment service providers

- New markets and customer segments
- Fast fund settlements
- Lower processing costs
- Acquiring cross-border clients
- Supporting omni-channel approach
- Enable instant payments to better support merchants requirement



# Introduction to the market

Account-based payments are not new in Europe, as payment methods like iDEAL in the Netherlands and Swish in Sweden are successful for many years now. The experiences from these countries show that the key to success is always consumer acceptance.

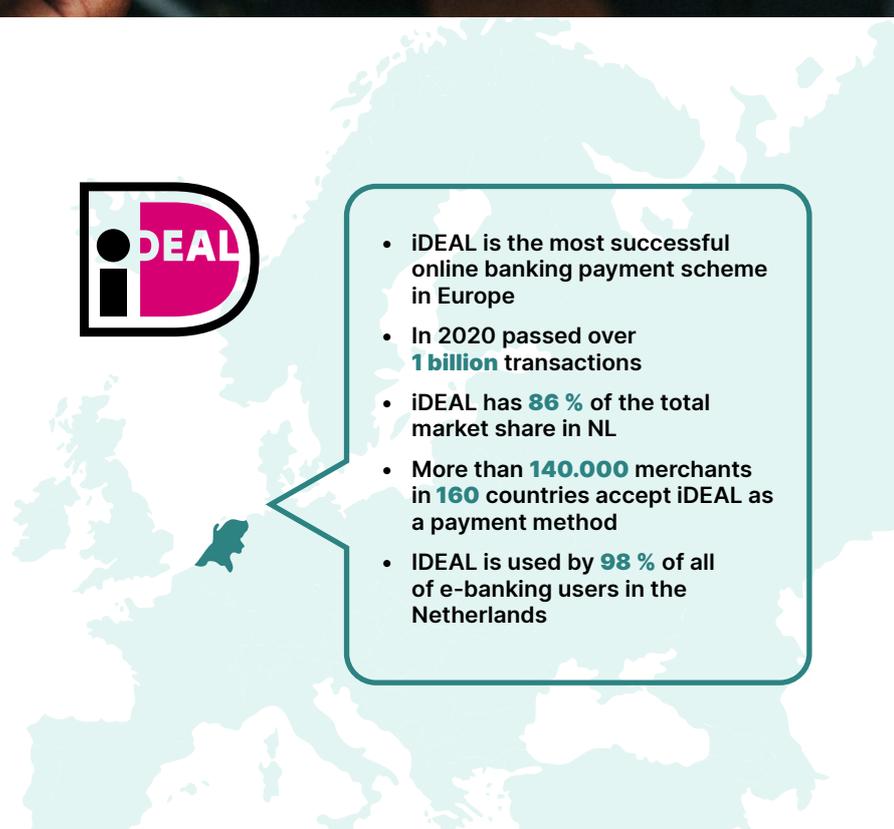
In Sweden, the payment scheme started with Person-to-Person payments and extended the scope later to Business-to-Consumer.

In the Netherlands, the iDEAL scheme's success is based on a large market deployment driven by all participating banks.

Looking at the characteristics of account-based payments combined with Instant Payments and supporting functionalities like Request-to-Pay, we foresee a market penetration of up to 10% across all payment types over the next five years. For online payments, we expect even a higher penetration rate.



- iDEAL is the most successful online banking payment scheme in Europe
- In 2020 passed over **1 billion** transactions
- iDEAL has **86 %** of the total market share in NL
- More than **140.000** merchants in **160** countries accept iDEAL as a payment method
- iDEAL is used by **98 %** of all of e-banking users in the Netherlands



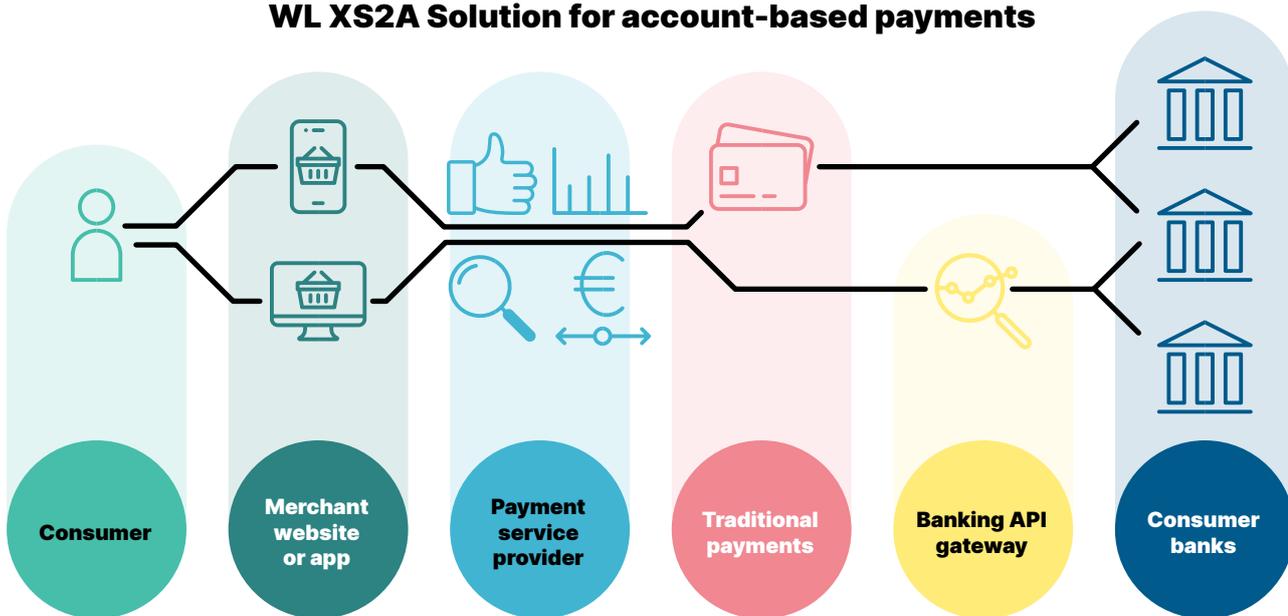
# Our solution

Worldline supports Payment Service Providers to enhance their payment portfolio with these new Payment Initiation Services to offer account-based payments to their customers.

We offer comprehensive reach to a vast number of banks (more than 3,000 in many European countries 18 countries) and provide a single API connection to send the payment initiation request to the payers' bank and facilitate the mandatory Strong Customer Authentication SCA.

Besides the basic payment initiation, our solution also offers supporting functionalities like merchant onboarding, refund, reconciliation and regulatory reporting to easily integrate the new payment method into the existing payment offering for merchants.

## WL XS2A Solution for account-based payments



## Extended functionalities

Combining account-based payments with Instant Payments, Request-to-Pay and Buy Now Pay Later functionalities, the described payment initiation services will become one powerful tool for Payment Service Providers. It allows for the improvement of their merchants' business and let consumer benefit by offering this new convenient and secure payment means.

We genuinely believe that emerging technologies and real-time payments will help create and establish new customer-centric low-cost payments' eco-system for the coming years. We invite you to explore with us possible business opportunities brought forward by PSD2 and Open Payments and get access to a unified Open Banking API.

### Instant payments



Instant Payments are processed within seconds and credited from one account to another without any settlement delay.

So merchants will retrieve the funds much faster and do not need to buy payment guarantees anymore.

### Buy now Pay later



This concept helps merchants enhance the average order value, grow conversion rate and retain customers, showing engagement and loyalty.

### Instalment payments



Merchants can benefit by offering instalments to their clients, building more awareness, enhancing the shopping cart value, and increasing conversion without applying additional interest rates to the standard price. The pay-back amount is then evenly spread over several parts.

### Request to Pay R2P



R2P is a very flexible way for merchants to initiate a payment from a payer.

Once the payer receives the request, he can decide to pay right away, reject or defer his payment to a later date.

### Alias service



Those services will help to identify the client and replace the necessity of such payment details as IBAN

Such data could be, e.g. a mobile number or an e-mail address.

### Account information



Account Information Services also make use of the new banking APIs.

By retrieving the account data, it could be used for liquidity management, credit scoring, and customer data analysis to get more insights to provide a better service.

# About Worldline

Worldline [Euronext: WLN] is the European leader in the payments and transactional services industry and #4 player worldwide. With its global reach and its commitment to innovation, Worldline is the technology partner of choice for merchants, banks and third-party acquirers as well as public transport operators, government agencies and industrial companies in all sectors. Powered by over 20,000 employees in more than 50 countries, Worldline provides its clients with sustainable, trusted and secure solutions across the payment value chain, fostering their business growth wherever they are. Services offered by Worldline in the areas of Merchant Services; Terminals, Solutions & Services; Financial Services and Mobility & e-Transactional Services include domestic and cross-border commercial acquiring, both in-store and online, highly-secure payment transaction processing, a broad portfolio of payment terminals as well as e-ticketing and digital services in the industrial environment. In 2020 Worldline generated a proforma revenue of 4.8 billion euros.

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