



PayLink

Common Payment Gateway – Domestic SWITCH





Objective – Common Payment Gateway Domestic SWITCH

Schema concept - Business

Technical implementation with a licensed software platform with the focus of cost saving on the industry;

Physical and Logical Security standards as per PCI DSS/PCI CP, / periodic auditing processes;

System architecture;

Process flow as per SWITCH concept on market;

The strategic approach to the development of retail payments in Albania have a clear vision:

to create a modern and inclusive retail payments market in Albania, supported by safe and efficient payment infrastructures, and a wide range of payment instruments and services that meet the needs of financially capable payment service users throughout the country.

Current economic environment

How SWITCH Platform can help...

- Considering the current economic situation the political environment, countries are facing new challenges;
- Globalization, free movement of the people and capital, new products and services the financial institutions are offering, are contributing on the country development, but on the same time are bringing new challenges new risks aspects and some more opportunities to manage;
- On country level there are introduced some strategies to achieve the objectives, especially on the payment sector.

One of the solutions is the Switch platform to be implemented as a “tailor made solution” based on the market characteristics, which will route the card transactions within the country with low transaction costs.

This is one of the key factors to incentivize the market toward the payment /digitalization sector, by formalizing the economy, with the financial inclusion in focus.



SWITCH Benefits

International References – Survey results

Achieve data safety, cost control and support government initiative execution....

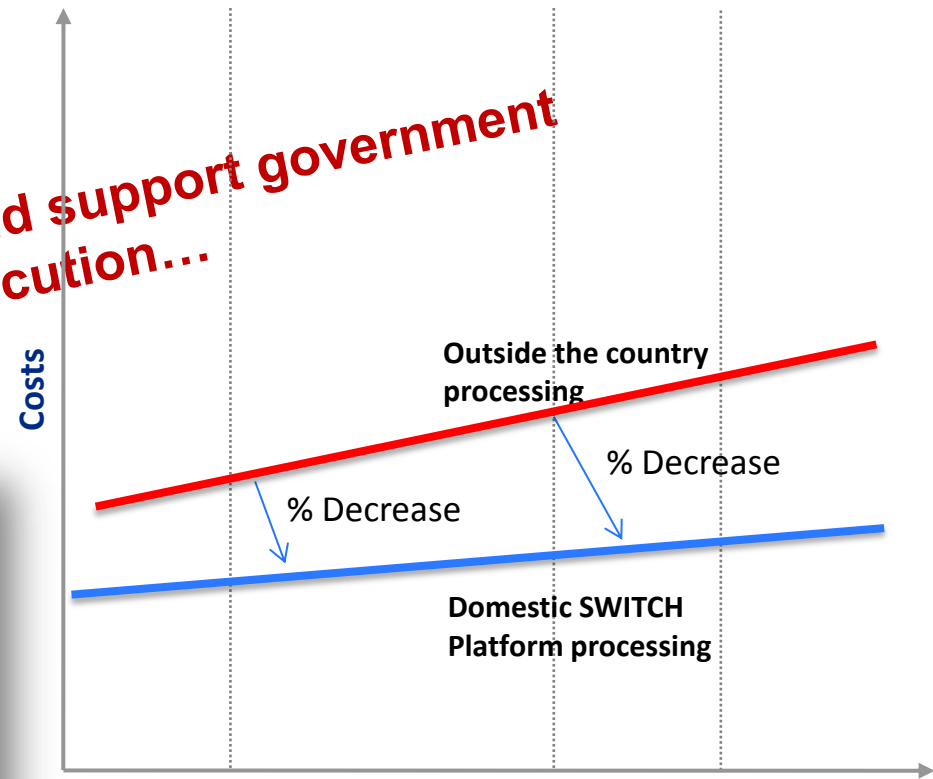
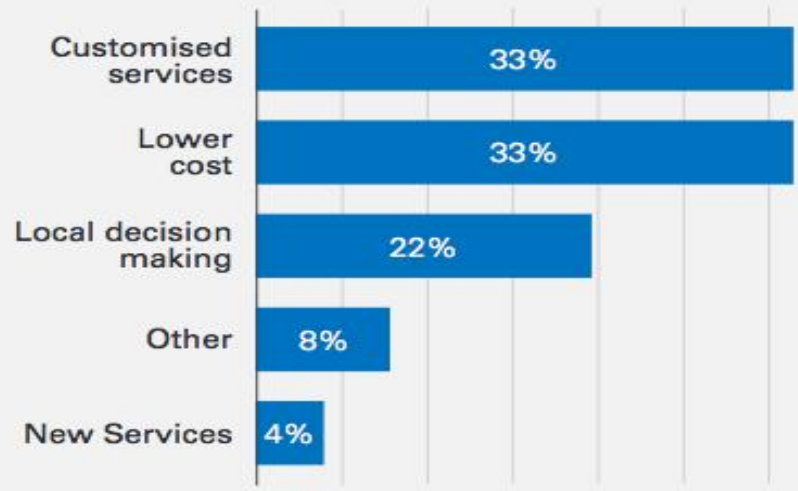
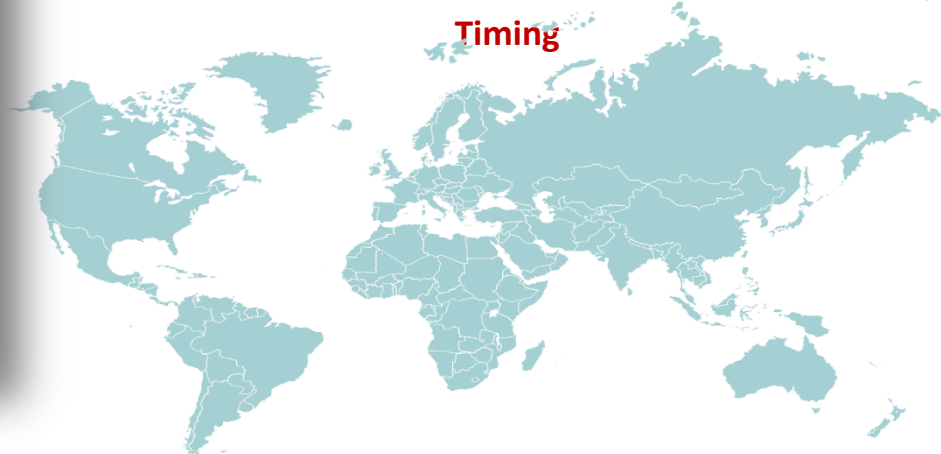


Figure 2: What are the main benefits of domestic schemes?



Note: % of scheme survey respondents

Source: PYMNTS.com



Financial Example –SWITCH Impact

For illustrative purpose

Transactions in the domestic terminals installed in the country with cards and electronic money issued by the domestic banks;

| Transactions in the domestic terminals installed in the country with cards and electronic money issued by the domestic banks; MONTH X | Approx./assumed values |
|---|--------------------------|
| Number | 1,6 Mio |
| Amount Euro (<i>Exch. rate 126</i>) | 134 Mio Euro |
| Domestic Turnover / Month (assumed) | 45% ~ 60 mil Euro |
| Costs paid to VISA and MC ~ 0.1% of the transactions volumes | X Euro |
| Net Profit / Banking System Domestic <u>IF SWITCH</u> Decrease ~ 30% / 5 Years | ~X mio Euro |



Total Save – Market
 ~ min 30% of the actual transaction costs . To be added the save on agreed IRF in accordance to the local agreement value!

How to set up a Domestic Switch – Steps

1. Create the **Entity** of the schema;
2. Create the **Governance** of the schema;
3. Create the **Organization Structure**;
4. Prepare the **Rules and Regulations**;
5. Schema **Technical Implementation**;
6. Certification and **“Go-Live”**;

The certification will consist on:

- ✓ *Authorization of the transactions initiated from the acquiring bank in accordance to the pre-defined scenarios of the issuing bank.*
- ✓ *Certification of the acquiring bank equipment's/terminals from the transactions from an issuing bank.*
- ✓ *Chip certification from the existing cards issued in the market.*

What is needed;

1. *Domestic Agreement*
2. *Certifications/Licenses*
3. *Technical Platform*



The domestic agreement requires a closed relationship between the participating banks!

Card Payment Switch



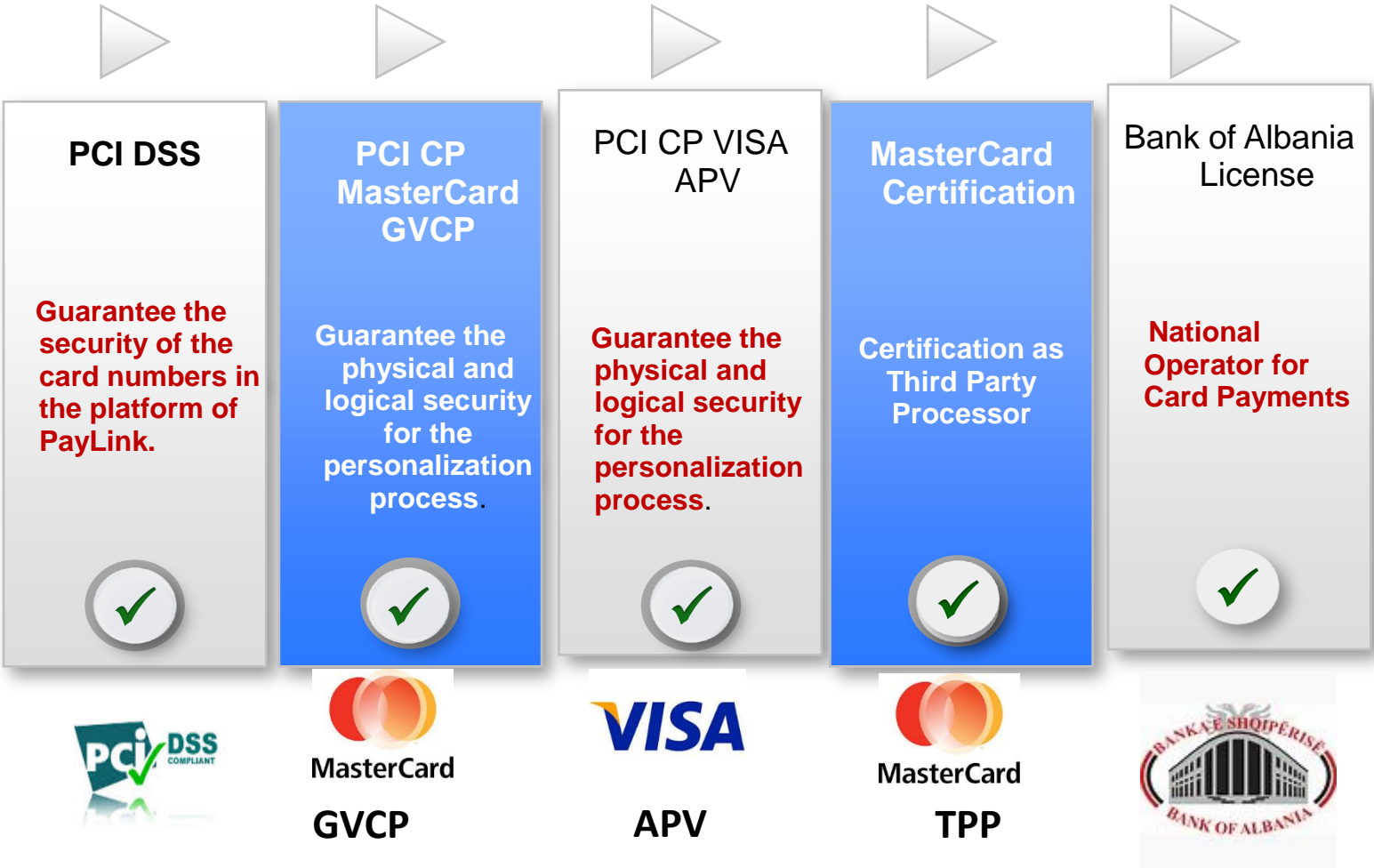
PayLink Technical Platform Specifications

- SWITCH Platform for the authorization of the H2H transactions;
- Processing of the different payment schemas including domestic schema;
- Route, switch and authorization of the transaction between different payment method;
- “Clearing“ platform for the transactions;
- High volumes processing handling;
- Calculations for the Settlement;
- Stand-in processing;
- Fraud management;
- Dispute management;
- Change / adaption of the format for the Message;

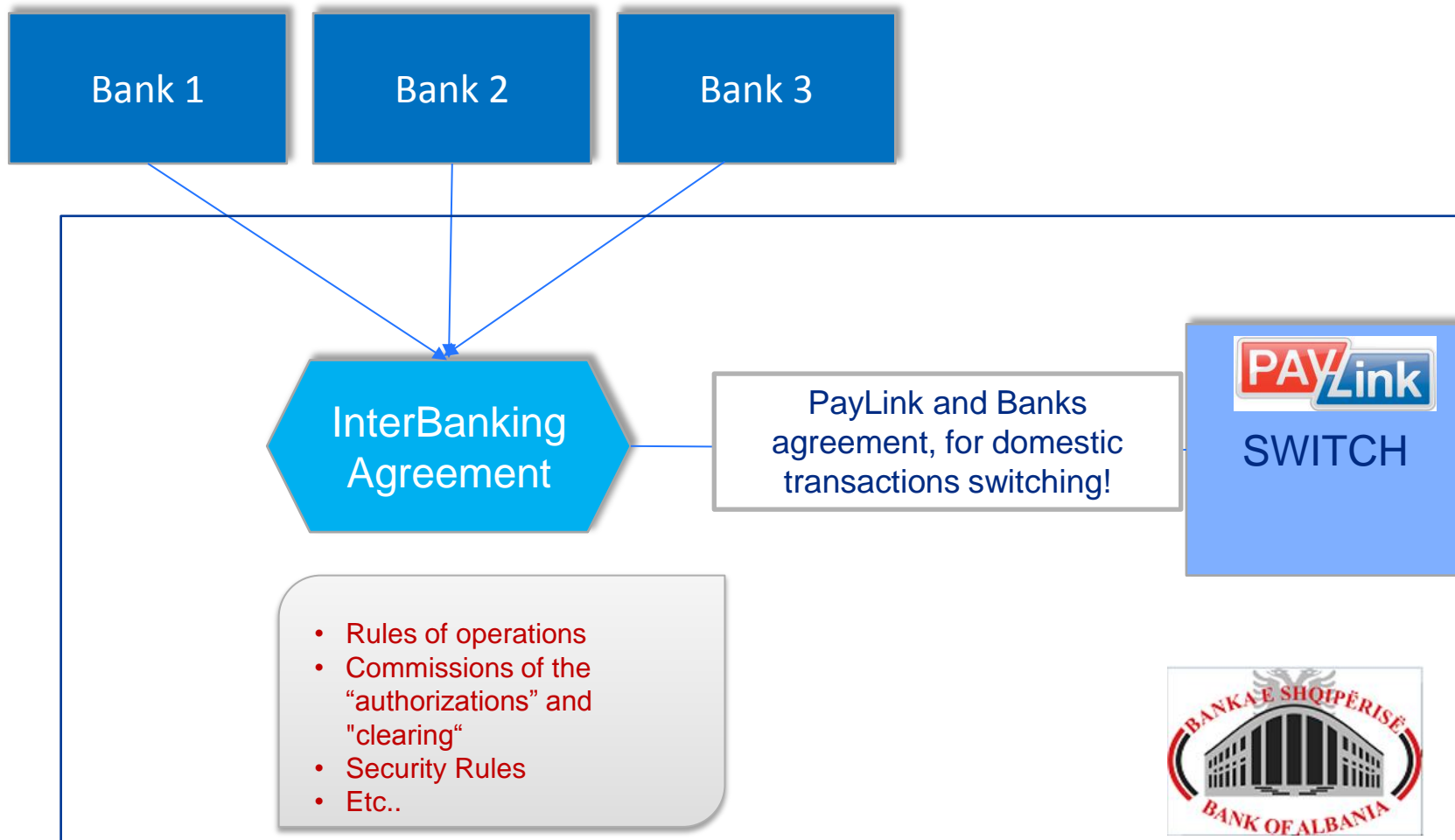
- Test Platform for the certifications of the issuing / acquiring or both entities;
- Security standards for the transaction processing and the key encryption management;
- Continuous support for the certification of the financial/payment instruments;
- High software disposability, “no fault”;
- Multi-currency, multi institution;
- Manages Mobile, ATM, POS, E-commerce – alternative channels;
- Certified PCI DSS;
- Software architecture functional in different platforms;
- Consulting services on the business model, schema and procedures required;

Certifications and Licenses – International Standards

PayLink Certifications



Role of Banks and PayLink



The whole process will be monitored or managed from the Bank of Albania
PayLink offers the technical Platform!

Regulatory Aspect

PayLink Role



Operations manual

Rules for Issuing banks to be approved

Rules for Acquiring banks to be approved

Managing the "network";

"Authorization" and "clearing" agreed commissions;

Financial protocols for "authorization" and "clearing";

Commissions for interbanking transactions (interchange);

Dispute resolution regulation

Security regulations

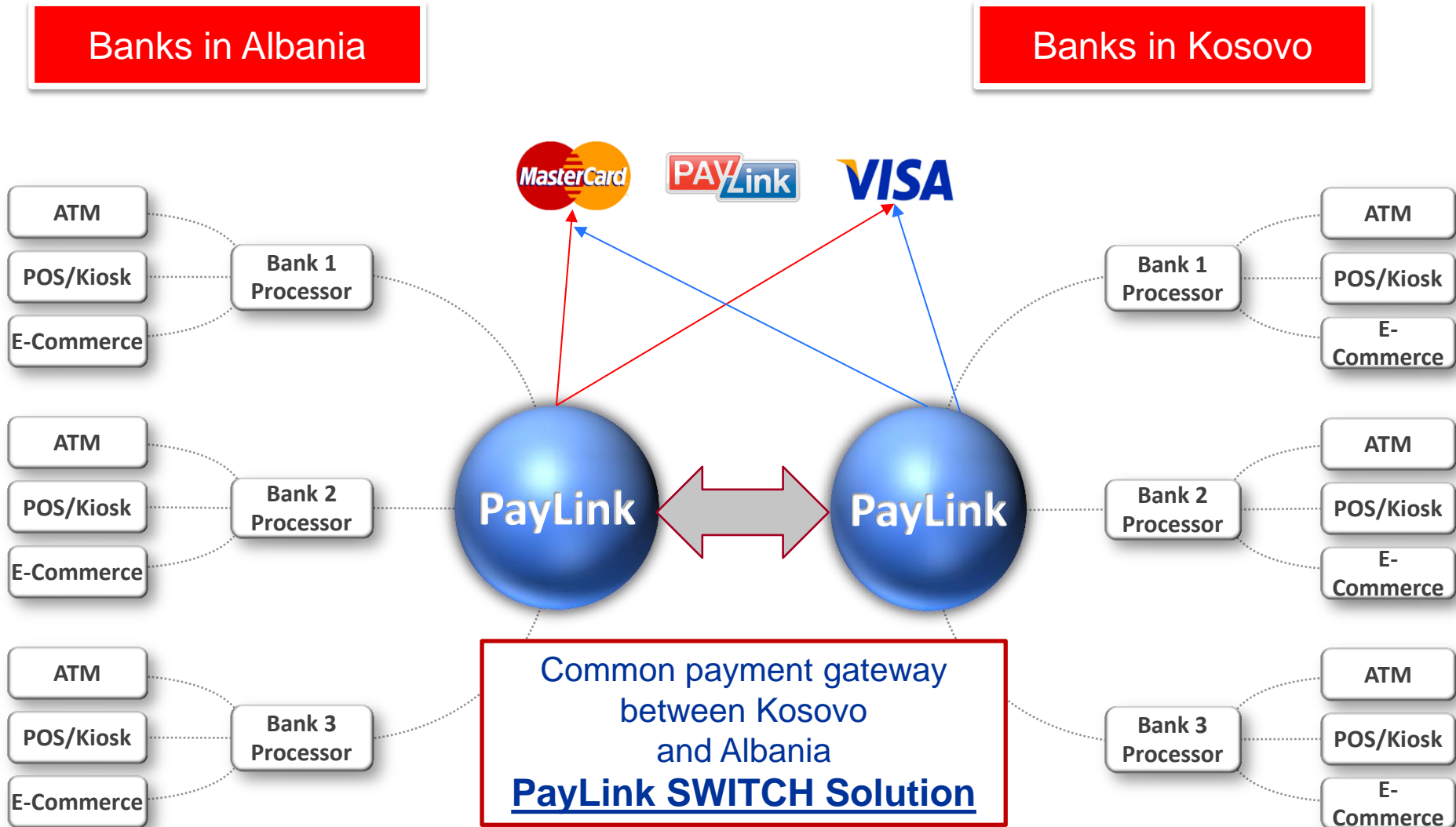
Etc....

PayLink offers consulting services on documentation preparations, in accordance to the industry standards.

SWITCH between Banks in Kosovo and Albania



Common Payment Infrastructure in one common schema!



System Architecture

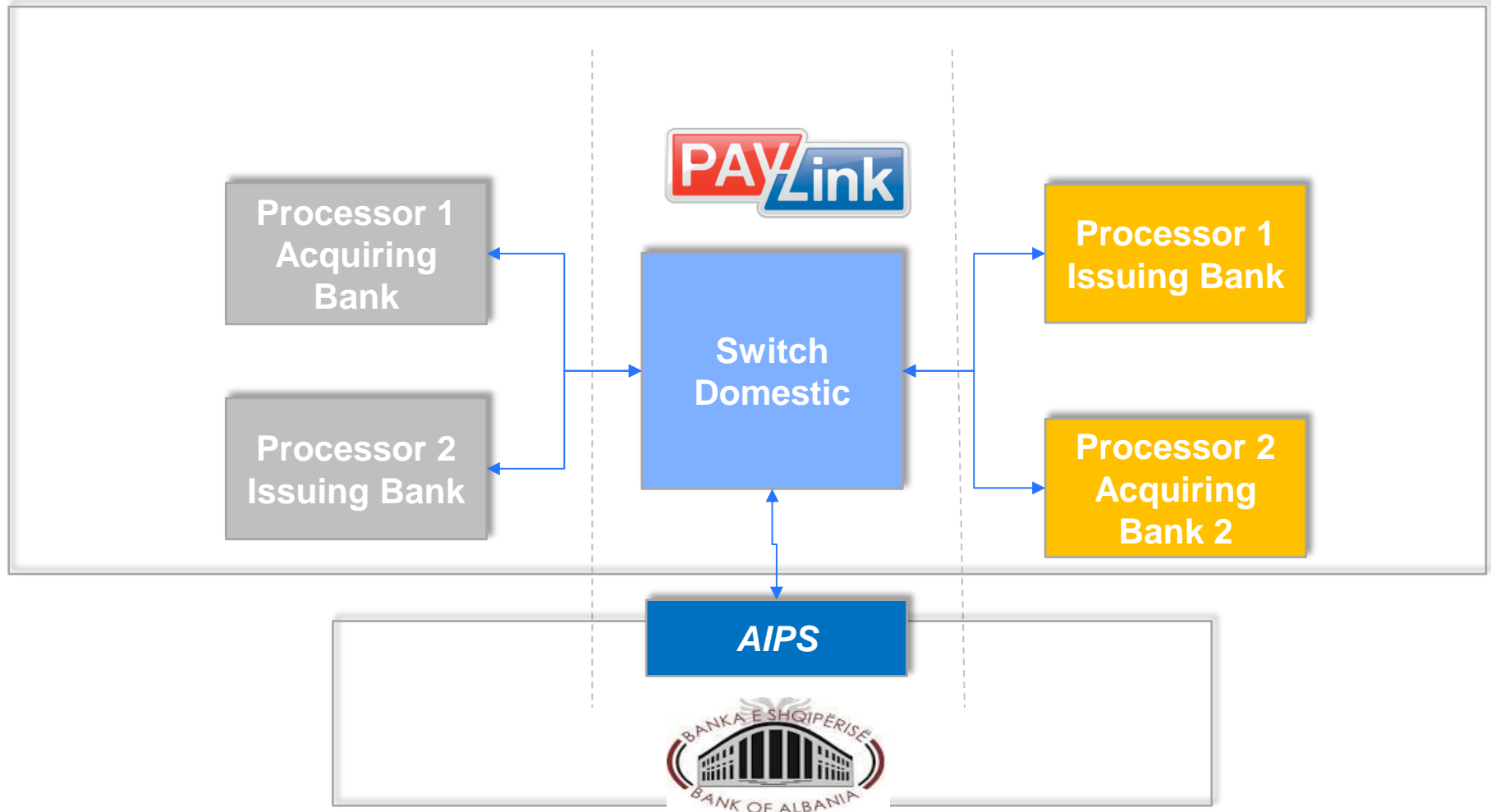
- Solution provided by PayLink do not require huge developments or even changes of the current infrastructure the banking are operating.
- The solution will be integrated with the current systems/platforms/processors the banks operate.
- Banks will not face any change as per the current situation, just adapting the new rules and regulations for the domestic transactions.
- PayLink switch will be integrated / connected with the current banks processors connecting / interfacing Acquirer Processor” with “Issuer Processor”.
- This type of communication / intégration for processor companies is a standard intégrations, as per the pre-defined ISO protocols (VISA and /or MasterCard).
- PayLink will be connected with the AIPS system, as per a pre-agreed procedure.

Banks will not change the current processors..

PayLink will act as an intermediary link for processing the transactions....



System Architecture

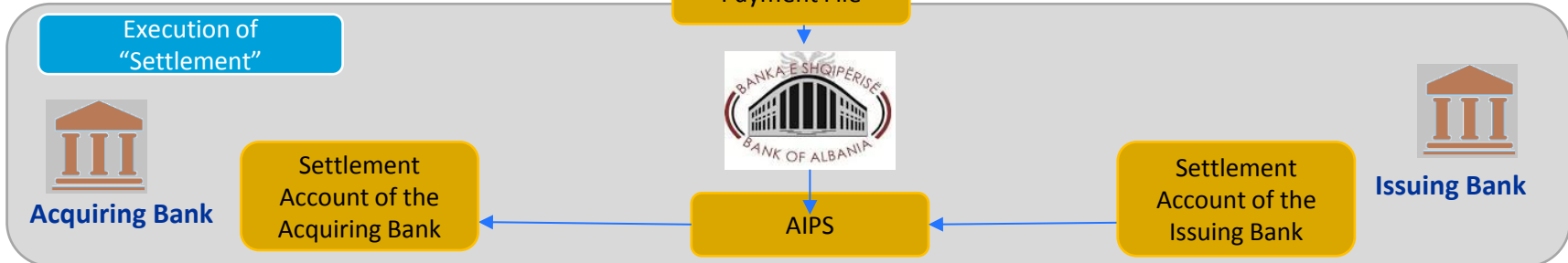
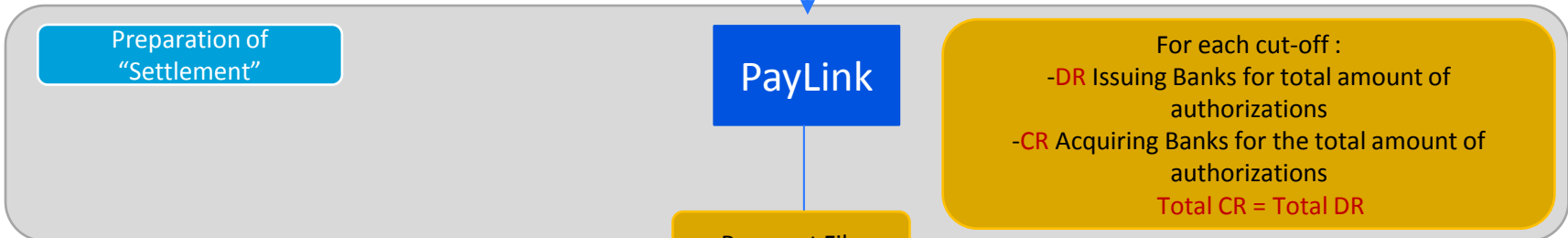
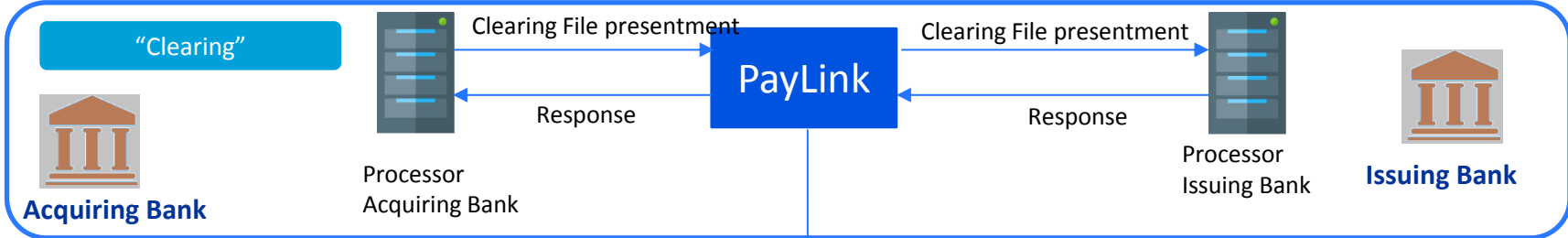
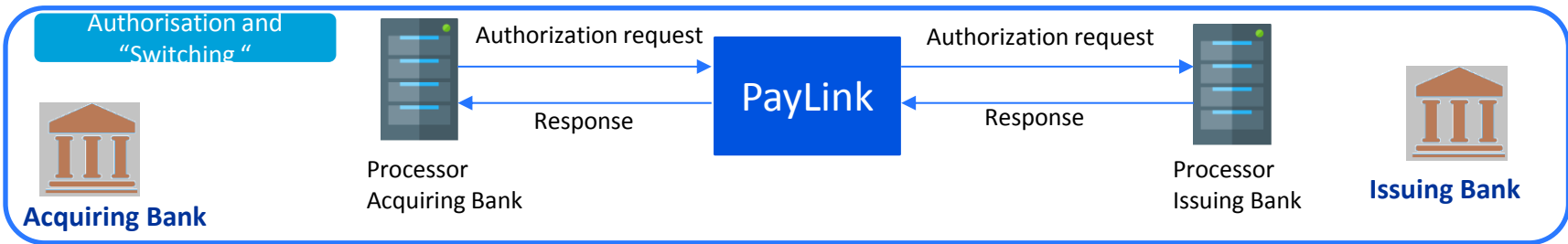


**Data are only routed in PayLink SWITCH.
NO DATA STORAGE PLATFORM!**

Technical Aspect – PayLink Solution Proposal



SWITCHING, CLEARING & SETTLEMENT



PayLink Switch

Product and Services offered in the common payment infrastructure



Common Payment Infrastructure

Participating banks will expand their network in a common Payment Gateway.

Common Payment infrastructure POS/Kiosk in order to decrease the operational cost for each participating bank.



Local Card Issuing & Acquiring

Participating banks will have the possibility to issue a low cost card that will offer all the services that offer international card brand.

PayLink Card can offer flexibility in co-branding with the supermarket chains in order to increase the card payments volume.



Fund Transfer

Fund transfer in different currencies in real time will give the possibility to the banks to offer this service to their client in order to increase the transfer volumes within the country with lower costs.



Clearing & Settlement

PayLink will facilitate the member banks for the settlement process by a chosen bank from the member banks.

PayLink will notify with a report National Bank of Albania regarding the gross daily settlement .

Banking System Benefits – PayLink solution



Provide the possibility to the Banking system to promote new and innovative products and services with low costs and fast implementation (time to market);



Offer the possibility to create a common payment infrastructure for POS and ATMs;



Offer the possibility to set up lower Interchange values per domestic banks / agreement;



Provides possibility to process payment transactions optimising the cost of the transactions.



Clearing and settlement process is shorter, giving the possibility to the merchants to access their funds faster on their accounts.



Offer the possibility to the market to share POS/ATMs equipment's between the Banks, by lowering the CAPEX /OPEX, Help Desk costs for those terminals.

Solution provided by PayLink is an “all inclusive solution” providing :

- Business Model
- Consulting Services
- Certifications
- Procedures and Regulations
- Technical Platform
- Implementation
- Schema management
- Technical support
- Etc...

PayLink remains “open” for any operative solution which will drive the implementation of such project!

Thank You!

