



## UK Card Acquiring – Ecosystem Entities

*The list, as has been provided, below is for illustrative purposes, and are **representative** of the number, and type of players, falling into each category. The number of individual companies that ‘coherently’ fall into one or another is very difficult to establish.*

*It is therefore commonplace that certain entities would likely fit into more than one category. For example, Verifone might just as easily fit into the gateway classification (as they do offer that service to the retail community).*

*Please note that the document is not meant to represent a comprehensive, or an exhaustive commentary but rather provides a better descriptor of those entities that sit as part of a complex, ever changing and increasingly fluid value chain.*

### 1. International card schemes

The acquiring ecosystem sits as a part of a network system. The governance of which is underpinned by the international card schemes who help define how the use of card payments function as an interoperable, global and ubiquitous payment product.

All of which has an indirect bearing on customer outcomes whether those changes are enforced due to regulation - or introduced as scheme mandates – both need to be configured and adapted by acquirers at a technical and/or operational level.

### 2. Licenced Bankcard Acquirers

Registered and licenced by the international payment brands, acquirers are able to accept (acquire) card payments from card acceptors (*merchants, retailers*) and process the transactions through the schemes to the card issuers.

Acquirers assume full responsibility for the risks associated with transaction processing, in accordance with the rules of the payment scheme.

### 3. Acquirer Processors

Usually in partnership with a licensed acquirer, processors provide the back-office systems and support services to connect retailers to the card scheme networks and to process transactions *end-to-end* for the acquirer.

They are subject to card scheme rules and regulation.

### 4. Payment Platform Providers/ (Payment Facilitators)

Provide full *end-to-end* payment processing platforms for retailers, more especially in the e-commerce space but increasingly, as part of the omni-channel engagement, in all business channels.

Platform providers are usually identified as the ‘merchant of record’ in the payment system, although it will be possible to trace transactions back to one of their individual clients

They act on behalf of the merchant who is not connected directly to an acquirer and assume primary responsibility for settlement of transactions as well as the normal risks associated with card payments (fraud & chargeback).

Payment platform providers often become licenced acquirers.

## 5. Payment Gateways

Payment gateways facilitate the capture of card payments in the electronic commerce environment. Whilst gateway providers may manage many of the same services as a platform provider/ payment facilitator they do not assume primary responsibility for '*risk*' or '*settlement*'.

## 6. Independent Sales Organisations (ISOs)

Third party sales organisation that sell acquiring services to retailers on behalf of acquirers. In practice, the ISO can have a significant influence by selling their own propositions, but which are usually wholly dependent, and often necessitate, acquirers to provide those processing services.

## 7. POS Vendors

Providers of point-of-sale (PoS) hardware specifically built to accept card payment transactions. Devices are either sold direct to retailers; or their service providers; or, in partnership with an acquirer.

They hold a key position in the acceptance infrastructure as their devices are required to protect the key card and cardholder data in the transaction process.

Devices are subject to security evaluation by the international payment brands (through compliance with the PCI Security Standards) and may also have to comply with specific market requirements. In the UK acquirers and issuers have an elective policy requiring a Common Criteria evaluation against a specific protection profile designed to satisfy additional requirements over and above those of the PCI standards.

## 8. mPOS Solution Providers

Provide point of sale solutions that are designed for small businesses, making use of consumer off-the-shelf products (COTS or mobile phones and/or tablets) to host card acceptance, and other merchant support applications. Solutions include card readers that can be connected to the retailer device.

Two models prevail in this space, one where the card reader is also a certified PIN Entry Device and the second where PIN entry takes place on the retailer's device (the so called "*PIN on Glass*" solutions).

## 9. EPOS System Providers

Provide the till systems and checkout hardware to retailers they will also be responsible for back office systems supporting the *day-to-day* operation of the retailers' business. They may have developed their own card acceptance modules within the solution but most partner with a traditional PoS vendor to provide the certified card readers and PIN entry devices.

## 10. EPOS Software Providers

Write card acceptance software to be integrated into retailers systems, may also have to write the software more usually for card readers and PIN entry devices (but can also include e-commerce platforms and web agencies). Most often work in partnership with the POS vendors.

## 11. Specialist Service Providers

Provide niche processing products to retailers to meet any specific needs of a sector. Products include, for example:

- Dynamic Currency Conversion
- T&E solutions – hotel / restaurant / bar
- Gaming solutions

## Arising considerations

- Those organisations who assume responsibility for settlement and risk are likely to have the most significant relationships with card acceptors and are much more likely to fall under direct regulation (e.g. *Acquirers, Acquirer Processors* and *Payment Platform Providers*).
- *Payment Gateways* sit in close proximity and could easily exploit opportunities emanating out of PSD2, particularly those opportunities to become 3<sup>rd</sup> party payment initiators.

- *Platform providers and gateways* play a significant role in providing services to the e-commerce community and have a vital part in the fight against fraud (e.g. transaction profiling services they offer to merchants are of significant importance).

### Companies as part of the payment acceptance ecosystem

