

Payment System Forum and Exhibition 2014

Sasana Kijang, Kuala Lumpur



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



the **ASEAN** payment people

Enabling Payment Card Acceptance at Small and Medium Enterprises (SMEs) and Microenterprises

Part 1: Payment Card Acceptance Infrastructure

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Types of Payment Cards



1. Credit cards. The cardholder either settles his credit card statement every 30 days or pays interest on the outstanding balance. Card issuers are lenders to the cardholder

Introducing the **NEW** Maybankard Visa Debit

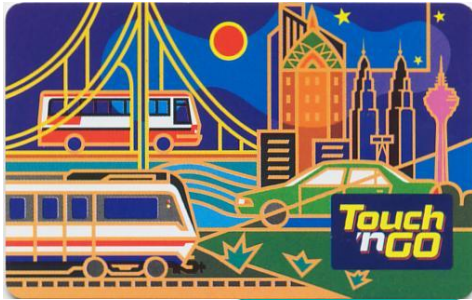


2. Debit cards.

The cardholder's bank account is immediately debited when used and hence there is no extension of credit to the cardholder. The cardholder either signs the transaction slip like a credit card or an ATM PIN is entered.



Types of Payment Cards



3. Prepaid cards. The cardholder loads value into the card prior to usage.



Credit & Prepaid Card



ATM & Debit Card

4. Co-badged cards.

Cards with 2 or more payment card network applications or brands.

Types of Payment Cards



MyDebit Brand
Coming Soon.....

- **Its secure** - ATM Pin authentication
- **Its for everyone** – all ATM cardholders
- **Its affordable** – Lowest Merchant Discount Rates

Over time it will replace....



Home Prizes

WIN BIG

Hypermarket Sweep Contest

*with every purchase of RM80 & above in a single receipt using ATM card

*Terms & conditions apply

How to

1. Spend minimum RM80 at any AEON BIG stores
2. Use ATM card (participating bank) to make payment
3. Fill up contest form at customer service counter & submit
4. Stand a chance to win great prizes!

29 Aug to 4 Dec 2014



Types of Transactions

There are 2 types of transactions.....



1. Card Present Transactions

- a) Both card and cardholder are physically present at the merchants premises and
- b) The cardholder is authenticated by his signature or PIN



2. Card Not-Present Transactions

- a) The cardholder shops online at the merchants website and
- b) The cardholder may be authenticated by his bank via SMS PIN (One time password) or separately issued PIN. In some cases the transaction will be accepted even without PIN.

Types of Acceptance Devices

Usually called EDC or POS devices.....



Standard Dial-up EDC

- Handles Chip and magnetic swipe cards
- Cardholder signs on paper slip
- Uses fixed phone line connectivity or internal wireless

If You Are On The Move.....

GPRS EDC

- Handles Chip and magnetic swipe cards
- Cardholder signs on paper slip
- Requires a SIM card for mobile use



Types of Acceptance Devices

Usually called EDC or POS devices.....



An **Electronic Signature**
and **Receipt Solution**
for Retailers

We take the pain out of processing credit card chargebacks.



Electronic Signature Capture

- Sign-pad can be separately connected to the EDC or fully integrated into the EDC
- Cardholder gets a paper receipt and merchant gets an electronic record
- Useful for chargebacks – easy to retrieve and no need to worry about paper fading

Types of Acceptance Devices

Usually called EDC or POS devices.....



Contactless Card Readers

- Readers can be either separately connected to the EDC or fully integrated into the EDC
- Cardholder gets a paper receipt

Types of Acceptance Devices

mPOS...using your own mobile phone to accept payments



- Device plugs in to the mobile phone
- Can accept Chip or Magnetic Stripe cards
- Cardholder signs on the phone screen
- Receipts sent by email or printed via bluetooth printer

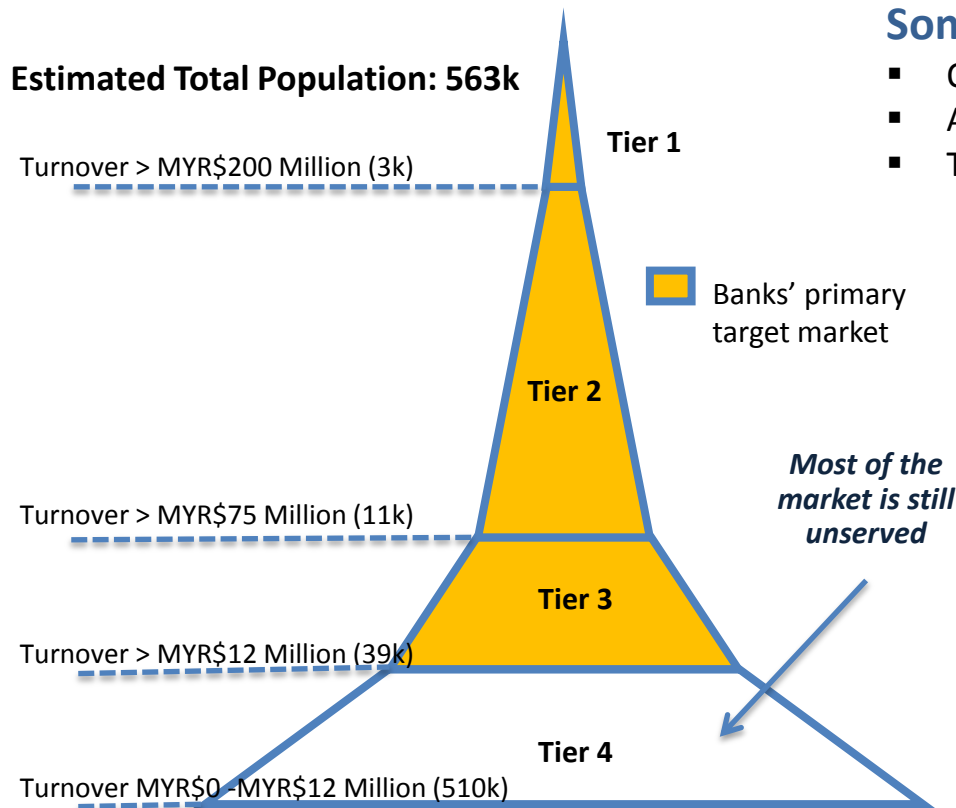


- Bluetooth connection to the mobile phone
- Cardholder enters his PIN on the PINPAD
- Receipts sent by email or printed via bluetooth printer



Serving the SMEs

Third Party Acquirers (“TPAs”) Like GHL have a crucial role to play.....



Something for Low Volume Users

- One time fee
- Affordable MDR
- Throwaway device (no maintenance)



The Payment Card Ecosystem

2. Card Schemes



- Banks sign agreements with the card schemes to issue cards and acquire merchants
- Card schemes specify the rules; interchange fees, operating procedures, security standards etc.

1. Issuing Bank

- Cardholders sign credit card agreements with the issuing Bank
- The Issuing Bank extends credit up to the agreed limit



Shoppers

3. Acquiring Bank

1. Merchants sign an agreement with the Acquiring Bank to accept card payments.
2. In some cases the Merchant will sign an agreement with a TPA which will have a back to back agreement with an Acquiring Bank



Merchant



Third Party Acquirer ("TPA")

Contractual Relationship

Risks to the Merchant

What you need to be aware of.....

Beware: If the Cardholder raises a legitimate complaint to his Issuing Bank, your payment can potentially be reversed at a later date by your Acquiring Bank as a “Chargeback”

Fraudulent Cards

- Domestic Cards are EMV Chip based
- Cards issued overseas can potentially be a problem



What you should do

- Use common sense – if it seems too good to be true, it probably is too good to be true
- Check the signature!
- Ask for identification and photocopy
- Some protection from Card scheme liability rules

Cardholder complains that the merchant did not fulfil his obligation

- Bigger issue for online payments than face to face transactions



What you should do

- Keep a copy of the transaction purchase order
- If delivering goods ensure that you get a signed document for the delivery
- Proof of delivery e.g. Courier Co acknowledgment

Risks to the Merchant

Reducing the Risk of Fraudulent Cards.....



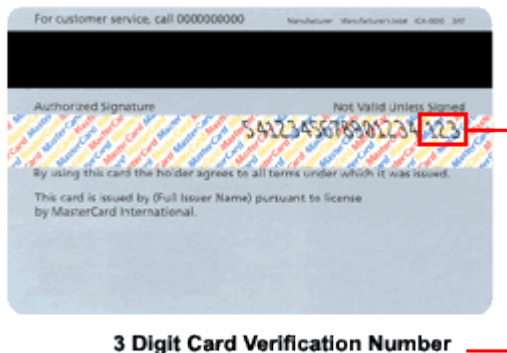
Even before it reaches the merchant's hands...

many security measures are taken to reduce the risk of card duplication.

The most effective is the microchip which uses an encryption algorithm that is uncrackable with today's technology. The card is automatically verified by the issuing bank each time it is inserted into the EDC.

What the Merchant has to do...

- Check the signature at the back of the card!!
- Ask for ID if in doubt
- For online transactions the CVV is entered by the cardholder.



Risks to the Merchant

Where Malaysia is going.....



CHIP & PIN authentication offers the best level of cardholder authentication.....

- No longer need to check the signature or ID
- Already mandatory in several countries e.g. Australia, parts of Europe.

No more Signatures.....

By January 2017, this will be mandatory in Malaysia for all cards i.e. both credit cards, & debit cards.

“Chargebacks” & Dispute Handling

1. Issuing Bank

- Cardholders complains to his issuing Bank
 - Unauthorised transaction
 - Goods defective or not delivered
 - Duplicate payment
 - etc.
- Cardholder completes a form and sends to the Issuing Bank. This starts the dispute resolution process.
- Issuing Bank will reverse the transaction in the cardholders statement



Shoppers

Card Schemes



2.

Issuing Bank lodges the dispute in the VISA online/Mastercom system and this triggers the Acquiring Bank to contact the merchant.

5.

The Acquiring Bank will either present the documents to the issuing Bank or accept the chargeback and refund the cash.

Acquiring Bank



3.

The Acquiring Bank will contact the merchant and ask for the relevant documents depending on the type of the “chargeback” reason code. e.g . Proof of delivery, merchant copy & invoice

4.

- The Merchant will submit the required documents to the Acquiring Bank (usually 1 week).
- If documents are not given by the due date, the Acquiring Bank will reverse the transaction



Merchant

Give Yourself the Added Edge

Your customers want it

A photograph showing five hands from different people, all giving a thumbs-up gesture, symbolizing approval or success.

Its Affordable



Its Not just
for Big
Companies.
SMEs need it
just as much