

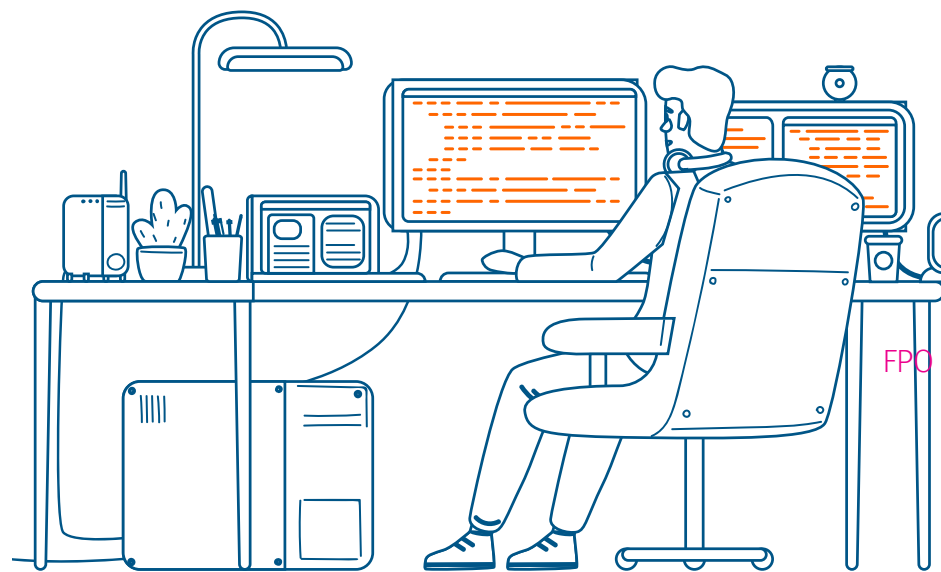


FPO



# The Essential Roadmap to Becoming a Payment Facilitator





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The acceptance of payments is a key opportunity for many Independent Software Vendors (ISVs) in today's marketplace. Thanks to their experience with existing clients, they understand their customers' individual needs, sector challenges and internal processes.

Becoming a Payment Facilitator (PF) furthers that relationship, as well as simplifies their clients' payments platform, by incorporating the ability to process transactions within their existing services model.

Simply put, as a Payment Facilitator, ISVs incorporate payment functionality into their software. In most cases, the ISV's software already delivers multiple capabilities—payroll processing, inventory management, appointment setting, etc. Adding payments through the existing software not only streamlines operations for the merchant but provides potential cost-savings, which builds additional loyalty between ISV and client. It can also generate important revenue opportunities for the ISV.

To optimize the incorporation of Payment Facilitator capabilities into its software, the ISV must proceed through a systematic process with various considerations that affect success. Understanding, and preparing for, this process is essential to ensuring that the right capabilities are put in place for present needs and future opportunities.



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# Preparation

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## Identify Client's Specific Needs

As a first step, assess the functional coverage needed with an eye toward growth. If there are specific or unique needs that are relevant to your specific MCC, address them at the outset. For example, the needs of a restaurant are distinct from what an e-commerce retailer or hotelier might require.

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## Register as a Payment Facilitator

Next, register as a Payment Facilitator with the card associations and with a merchant acquirer, paying the associated costs. Keep in mind that you will need to register as a PF with each card network in each country where you expect to operate.

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## Focus on Card Acceptance

Be certain to consider which cards you will accept, as this will reduce cart abandonment and maximize revenue opportunities. Consumer surveys consistently show that customers demand to make payments seamlessly via their preferred method, and they fault merchants if they are unable to do so or experience friction.

## Will You Need International Capabilities?

Consider international capabilities and acceptance to accommodate cardholders looking to make payments with cards issued in a foreign country, such as from China's UnionPay, Japan's JCB or India's RuPay. This global acceptance will benefit both you as a PF and your sub-merchants.



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## Set Your Policies and Terms

Among the keys to establishing your relationship with merchants will be setting out your processing terms, costs and fees. You will need to identify and work closely with a Payment Platform or processing partner with the acquirer. Since the acquiring bank ultimately assumes the risks of the PF, the bank will require assurance that the PF has the tools and policies to succeed.



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## Complete Documentation and Insurance

Complete the underwriting process with the acquiring bank, presenting documentation for things such as your financial credentials and anticipated transaction processing volumes. As you work through this process, you'll also need to provide details of your operations model. Because PFs are liable for the financial risk associated with sub-merchant transactions, general liability and cyber insurance will be required.



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## Anticipate the Needs of the Merchant

The ability for card schemes to accommodate a variety of payment capabilities elevates its value proposition. By developing a detailed list, you'll be able to better anticipate the current and future needs of the merchant. Keep in mind that your network partner can help assess the design of the scopes. For more information, visit [Discover® Global Network](#) to learn about our partnerships with payment providers.

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## Assess Technical Capabilities of Various Payment Methods

Be sure to assess the technical capabilities per payment methodologies or modes, including the functionalities for push payment, virtual payment cards, debit cards, tokenization, etc. Each of these requires specific preparations. [Discover® Digital Exchange \(DDX\)](#) can help PFs work through the requirements and steps needed to complete this assessment.

E-commerce transactions require careful consideration regarding the security of transactions and risk control. By incorporating the right technology, such as EMVCo's [Secure Remote Commerce \(SRC\)](#), fraud security can be enhanced for every transaction. Additional protections might also include [D-PAS Connect](#) and [Verify+](#) from Discover® Global Network.

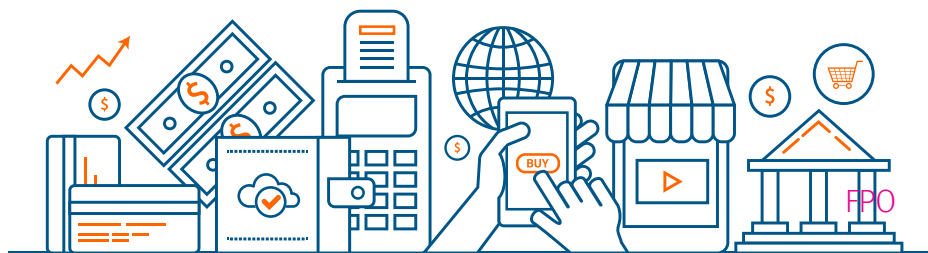
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# Operations

**B**ecause you will maintain full control over your <sup>sub</sup>merchants' processing experience and fund/settlement disbursements, create a system to manage, monitor and support the merchant lifecycle, including settlement.

## 9 Establish a Process to Verify Clients and Monitor Transactions

Because of the liability associated with being a PF, you must take steps to screen and verify your clients, monitoring for money laundering and terrorist financing by complying with Know Your Customer (KYC) and Anti Money Laundering (AML) procedures, among others. For those operating outside the U.S., there are additional compliance requirements.



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## Select a Payment Gateway Partnership

Choose from three options:

### A Payment Platform



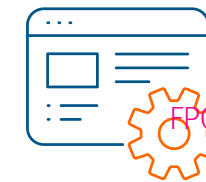
By working with a Payment Platform, PFs can alleviate several hurdles and access both the software and expertise for incorporating payment capabilities into their system. With turnkey solutions developed for various merchant categories, PFs can integrate a suite of modules that address specific capabilities.

### B SaaS



If you sign on with a SaaS, you'll be up-and-running relatively quickly and gain their support services. While this is far less expensive than the custom route, it's more restrictive in terms of developing unique merchant solutions and requires ongoing subscription payments.

### C Internal Platform



If you develop your own internal platform, you will need to partner with an acquiring bank and build out a system for processing, onboarding and performing risk management in each country where you operate. While you will retain full customization of the sub-merchant experience, building out a merchant dashboard and payout system can be time-consuming (6-12 months) and expensive, costing hundreds of thousands of dollars and requiring several employees.

Whichever option you choose for building out your capabilities, you'll need to ensure that you meet the transaction specifications, including security measures, for the card associations. Additionally, you'll need to account for the unique operational design and architecture requirements of your client.

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# Final Approval

With your infrastructure in place, it's time to pursue regulatory and compliance approvals. Consider the local regulations for international payments capabilities. Each country enforces its own licensing requirements, and you may need to apply for separate, regional licenses in the various countries in which you operate.

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## Protect Your Data

Regardless of the market, data security is a must. As such, you'll need to receive Level 1 PCI DSS certification and a Money Transmitter License (MTL).

As a PF ~~(and distinct from what ISVs offer)~~, you might also take an active part in sub-merchant funding to smooth the onboarding process. The funding arrangement and agreement with the merchant will need completion before operations begin.



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## Build Advanced Fraud Protection

Finally, you'll need to incorporate protection against merchant/consumer fraud, which could include using adaptive machine learning for fraud detection. When chargebacks are initiated, for example, you'll need to provide evidence to the card networks that back your sub-merchants.

Incorporating payment functionality into a merchant's software requires a deliberate, systematic approach that assesses the needs of your clients—both today and as their business grows. System design and functionality are key to addressing the day-to-day requirements that set the foundation for frictionless transactions and keep essential commerce flowing.

By delivering robust and tailored payment solutions, you can help ensure an efficient and productive rollout that minimizes costs and disruptions while enhancing customer satisfaction and loyalties. The potential revenue enhancement and customer data control will position your client for success well into the future.

To learn more about how Discover® Global Network can help, visit [www.urltbd.com](http://www.urltbd.com).

### About Discover® Global Network

Discover® Global Network, the global payments brand of Discover Financial Services, processes millions of cardholder transactions each day. With industry expertise, innovative technology and a closed-loop infrastructure, Discover Global Network provides effective, customized solutions that evolve as needs change. Discover Global Network has alliances with 20+ payment networks around the world, and is led by three Discover businesses: Discover Network, with millions of retail and cash access locations; PULSE®, one of the leading ATM/debit networks; and Diners Club International®, a global payments network with acceptance in 200 countries and territories. For more information, visit [DiscoverGlobalNetwork.com](http://DiscoverGlobalNetwork.com).