

RAPID CREDIT AND DEBIT CARD ACCEPTANCE

Simplifying acquiring to onboard more merchants

1. Ability to accept electronic payments

Retail businesses focus on selling their goods and providing their clients a smooth payment experience. Customers ultimately determine the dominant payment method which, for most markets, continues to be cash. The speed and simplicity drives much inertia notwithstanding its very high cost (over 1% of GDP and up to 15% to many emerging market merchants).

Research has shown that customers would like to use cards in lieu of cash but only if the transactions are trustworthy, beneficial and as frictionless as possible.

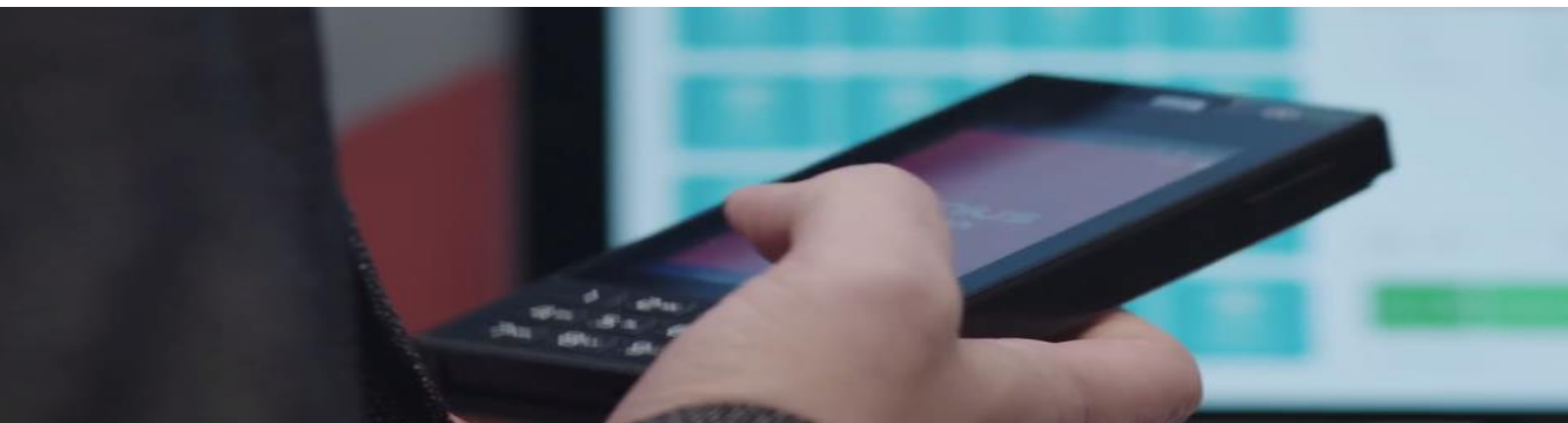
One hindrance to a broader deployment of electronic payments terminals is the high upfront cost of electronic data capture (EDC) terminals. Banks and payment service providers acquire, finance, lease and operate the capital intensive terminal business whose costs need to be carefully managed.

A prospecting merchant is evaluated on their likely ability to generate high levels of transaction fees so as to ensure a return on investment. The service provider faces a number of upfront and ongoing costs which are modelled into minimum-transactions-per-month, minimum-monthly-collections and possibly terminal rental fees:

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| 1. Infrastructure (NAC, Lines, Ports) | 3. Terminal Investment (EDC, Firmware) |
| 2. Merchant Onboarding (Manual) | 4. Operations (Settlement, Recon) |

Costs and eligibility criteria have limited terminal deployments to cities and high value/volume merchants such as large retail chains, hotels, restaurants and bars. Smaller merchants especially those in more sparsely populated areas have been underserved mainly due to high costs.

The SmartPesa solution dramatically reduces the cost of deploying and operating terminals, enabling more merchants to be served better and in more areas. Cost drivers are both upfront (terminal costs typically 25% of the cost) and operationally (most updates deployed centrally without site visits).



2. Malaysia Case Study

The Malaysia market has a mature ecosystem but notably high terminal costs and relatively large deployments given the population size. The SmartPesa system is well positioned to transition the market to low cost mPOS.

SmartPesa has deployed mPOS with AmBank (www.ambank.com.my) to enable credit and debit card acceptance using mPOS. AmBank is the oldest credit card processor in the Philippines with a large terminal deployment and well established business.

The requirement was for mPOS devices to seamlessly and securely accept credit card payments with no change to the existing AmBank backend. To achieve this, SmartPesa configured its spTransact to connect to the existing HyperCom NAC (using BCD encoding in conformance to their ISO8583 spec).

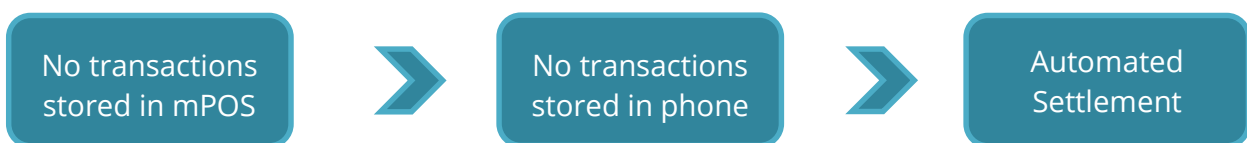
As a result, merchants can use their smartphones to acquire credit cards for Sale, Refund and Void transactions; Reversals on host timeout; and automated end-of-day reconciliation with BatchUpload and Settlement messages.

3. Implicit benefits of SmartPesa mPOS

Beyond the immediate benefit of lower terminal costs, the mPOS solution also provides a number of implicit benefits. These are of great value to streamline and simplify the operational processes of bank and payment service provider; and save costs:



In addition to the cost savings, SmartPesa mPOS provides advanced processing with smoother transaction flow and greater information and reporting capabilities. This reduces risk of transaction loss and provides smoother processing through automated settlement.



The solution is integrated into AmBank, a SmartPesa mPOS solution deployed in Malaysia with spTransact integrated into a legacy NAC for credit card acquiring.

About SmartPesa

SmartPesa is a specialist payments technology provider that aims to solve the last mile problem for financial institutions in emerging markets. SmartPesa directly addresses the dual needs of financial inclusion and cash reduction whilst eliminating the need for costly/risky changes to banks' proven systems. SmartPesa is deployed on-premises with full legal/regulatory compliances and industry leading security systems and fully integrates with any financial switch.

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