New Debit Card Solutions

Debit Mastercard and Visa Debit are ready
Swiss Banking Services Forum, 22 May 2019

Philippe Eschenmoser, Head Cards & A2A, Swisskey Ltd
Maestro/V PAY Have Established Themselves As the “Key to the Account” – Schemes, However, Are Forcing Market Entry For Successor Products

Maestro and V PAY are successful...

- Security and stability have proven themselves
- High acceptance in CH and abroad in Europe
- Standard product with an integrated bank card

...but are not future-capable products

- Lower earnings potential for issuers as an alternative payment traffic products (e.g. credit cards, TWINT)
- Functional limitations:
  - No e-commerce
  - No preauthorizations
  - No virtualization
- Merchants with an online offer are demanding an online-capable debit product

Response from the schemes

- V PAY will be decommissioned by VISA in 2021⁴ – Visa Debit as the successor
- MasterCard is positioning DMC in the medium term as the successor to Maestro

¹: As of 2021 no new V PAY may be issued
TWINT (Still) No Substitute For Debit Cards – Credit Cards With Divergent Market Perception

TWINT (still) not alternative for debit

<table>
<thead>
<tr>
<th>TWINT with comprehensive service range, but lacking sufficient market acceptance</th>
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Banks and merchants demand an online-capable debit product with wide market acceptance

Credit cards a no alternative for debit

<table>
<thead>
<tr>
<th>Lacking a bank card function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
</tr>
<tr>
<td>Limited target group (age, creditworthiness...)</td>
</tr>
<tr>
<td>No direct account debiting</td>
</tr>
<tr>
<td>Potentially high annual fee</td>
</tr>
<tr>
<td>Lower customer penetration</td>
</tr>
<tr>
<td>Higher costs</td>
</tr>
<tr>
<td>Merchant</td>
</tr>
</tbody>
</table>

Functionally superior and more financially attractive for issuers, but unattractive for merchants

¹: Accumulated PF card, Maestro & V PAY
Introduction of DMC/VD With Great Challenges For Banks – SIX Will Develop a Modular Solution in the "Vegas" Project

Dynamic market

Solution

Ambition

Deepened subsequently

“Vegas” project

Trend in the direction of Debit MasterCard / Visa Debit – however, currently no complete solution for current Maestro / V PAY issuers

SIX plans...

1. ...MVP¹ with complete Maestro / V PAY range of services, including new use cases (reservations, eCom...)

2. ...continuing to ensure the position of the banks as issuers of the debit product...

3. ...a parameterizable standard product for the entire market...

4. ...to offer a central, modular and open 3D Secure solution for debit cards...

5. ...establishment of processing readiness for Debit MasterCard and Visa Debit by Q1 2020...

¹: In order to reduce the complexity, corporate/premium cards and virtualization will be realized in a later extension step
# Beyond E-Commerce, Debit MasterCard and Visa Debit Will Offer Additional New Use Cases

<table>
<thead>
<tr>
<th>New use cases in comparison to Maestro / V PAY</th>
<th>MasterCard Debit</th>
<th>Visa Debit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magnetic stripe</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Purchase with cash back (PWCB)</td>
<td>✓</td>
<td>optional</td>
</tr>
<tr>
<td>E-Commerce payment</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Recurring payments</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Pre-authorization</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MOTO</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Split transactions</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P2P payment</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Gaming repayment</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tips in restaurant</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Paper slips</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Update card information</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Emergency cash advance</td>
<td>✓</td>
<td>Optional</td>
</tr>
<tr>
<td>“Billing updater”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MoneySend</td>
<td>receive mandatory</td>
<td>optional</td>
</tr>
<tr>
<td>Visa Direct</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1: Ab Gold Card mandatory
SIX Plans to Provide a Hub for Individual Management of the Functionalities Down to Card Granularity

Target solution (example)

Explanations

0 Bank parameterizes default functionalities for card

1 Customer can individually set functionalities at the issuer (e.g. geo-blocking)

2 Issuer stores card settings at SIX

3 Merchant queries transactions with MagStripe

2 SIX rejects transaction, since MagStripe is deactivated for this card and transmits a notification to the issuer

3 Issuer sends notification to customers (e.g. push message, SMS)

Maximum convenience and security for customers
SIX Enables a Wide Range of Implementation Possibilities Including the Entire User Experience in a Branded Bank Environment

Registration in the online portal

1: Registration also possible through online banking
2: Not necessarily a brand from SIX – neutral branding also in discussion

SIX offers issuers a diverse choice of authentication solutions

1. **White label app**
   - Central “SIX” app in the app store
   - Branding of the app by entering the PAN
   - Registration of multiple cards from various banks possible

2. **SDK in issuer app**
   - Integration of the authentication solution from SIX in the existing issuer app
   - Enhanced convenience through an app
   - Greater flexibility in app design

3. **SMS OTP**
   - Authentication via SMS for users who do not have a smartphone
   - Fallback option in case app is offline
   - Maximum customer penetration possible

4. **Issuer 3DS app**
   - Connection of existing issuer internal 3DS app to the SIX ACS possible

First user identification possible through...
- E-/m-banking
- Via the postal service
- Existing mobile phone number

Your SMS TAN is 8721

1: Registration also possible through online banking
2: Not necessarily a brand from SIX – neutral branding also in discussion

Bank XYZ

User ID
Card registration

50 CHF

Issuer 3DS app

Connection of existing issuer internal 3DS app to the SIX ACS possible
SIX Plans to Pilot Debit MasterCard/Visa Debit At the Beginning of 2020 – Implementation in Close Coordination With Issuers

General roadmap

**Release 80**
June 2019
Deployment of new **card management** functionalities (ordering, mutations, etc.)

**Release 81**
November 2019
Deployment of new **card usage** functionalities (excluding e-commerce)

**Release 82**
April 2020
Deployment of supplemental card usage functionalities for **e-commerce**

**Piloting**
March – May 2020
Piloting in a closed user group (friends & family)

**Rollout**
End of Q2 2020
Widespread activation of adopter banks in standardized onboarding projects

Today

2019

2020
SIX Is Convinced That They Offer Banks an Attractive Offer for Debit MasterCard and Visa Debit

### Added value from SIX

- **Banks are issuers**
- **Broad, modular offer**
- **Competence and scaling effect**
- **Existing interfaces**
- **Existing business relationship**

### Explanation

- **Banks as issuers** retain **customer interface**, **product sovereignty** and the **complete card revenues**
- **SIX** offers a **modular service** offer for card management, card usage, scheme management and operations services
- **As the largest issuing processor** in Switzerland, SIX can realize **effects of scale** and leverage **existing competences**
- **Existing interfaces** (Debit Online, XML, OTIS and KTB) can continue to be used
- **New products** can be built upon the **existing business and contract relationships** between SIX and issuers
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