



Request to Pay – Deutsche Bank Offering

#PositiveImpact

October 2021

European Payments Overview

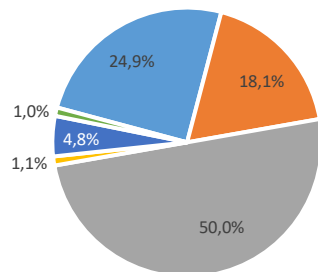
ECB Statistics



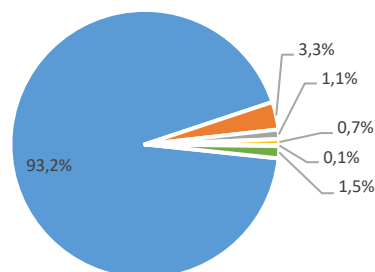
Relative importance of payment services (volume & value in 2020) ¹

Credit transfers dominate in value terms while card payments account for large volumes followed by credit transfers and direct debits

Volume 2020



Value 2020



■ Card Payments with cards issued by resident PSPs (Except cards with e-money functions)

■ Credit Transfer

■ Other Payment Services

■ E-Money payments with e-money issued by resident PSPs

■ Direct Debits

■ Cheques



EPC's current strategy rests on these three overarching goals:

1.

That citizens and businesses in Europe benefit from a broad and diverse range of high-quality payment solutions, supported by a competitive and innovative payments market and based on safe, efficient and accessible infrastructures

2.

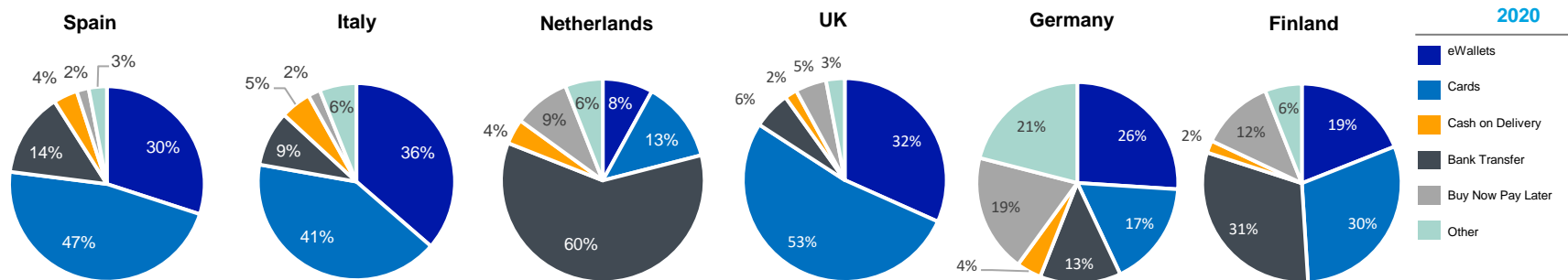
That competitive home-grown and pan-European payment solutions are available, supporting Europe's open strategic autonomy

3.

That the EU makes a significant contribution to improving cross-border payments with non-EU jurisdictions, including remittances, thereby supporting the international role of the euro

Payment Preference in key EMEA markets

While card payments currently dominate online payments across most markets, Bank transfers are making significant gains in Netherlands and Finland



Spain	<ul style="list-style-type: none"> Card payments constitutes the most preferred method online with 47% share, cash still leads at point of sale but is down 18% from 2019
Italy	<ul style="list-style-type: none"> Card payments dominate e-commerce payments with 41% share, with the main card brand being Bancomat
Netherlands	<ul style="list-style-type: none"> Bank Transfer constitutes the most preferred method with 60% with no other payment method coming close. Their aversion to debt carries through to point of sale, with most purchases being made with cash or a debit card

UK	<ul style="list-style-type: none"> Card payments constitutes the most preferred method with 55% share, eWallets is making significant gains while cash at point of sale declined 14% from 2019
Germany	<ul style="list-style-type: none"> While eWallets constitutes the most preferred method with 26% share, Germany is seeing a decline in the use of cash and has the highest use of direct debit in the world
Finland	<ul style="list-style-type: none"> Bank Transfer constitutes the most preferred method with 31% share, with Finnish consumers also on top as frequent users of buy now, pay later (BNPL)



Request-to-Pay

Request to Pay Solution overview

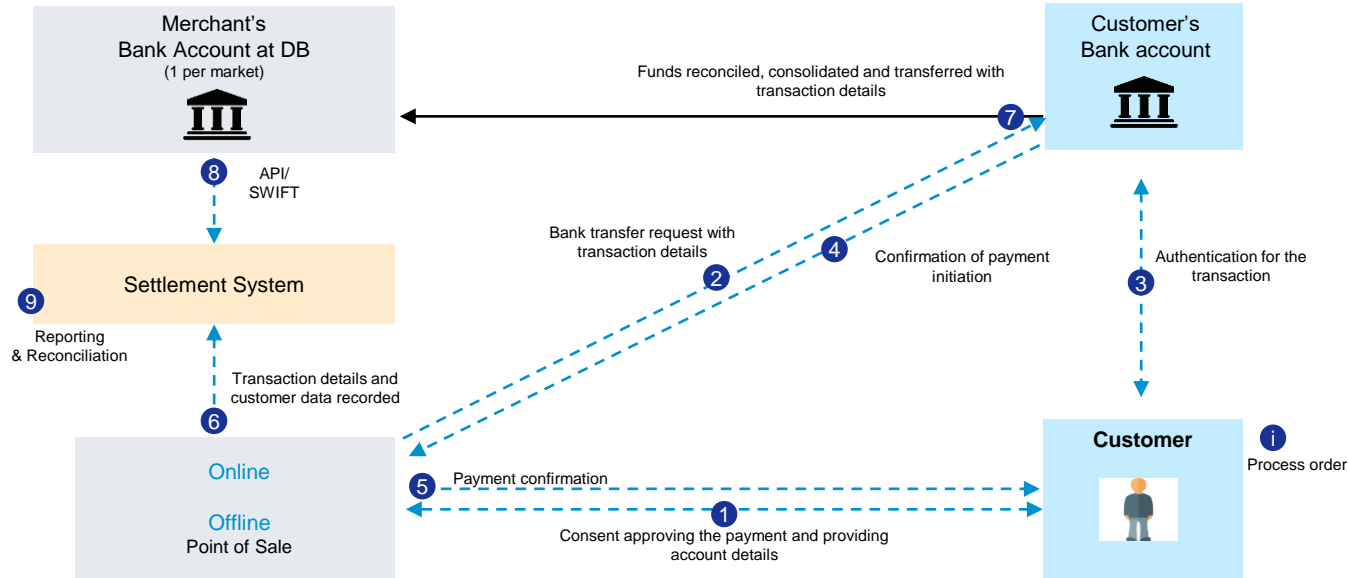
Workflow



Proposed Solution

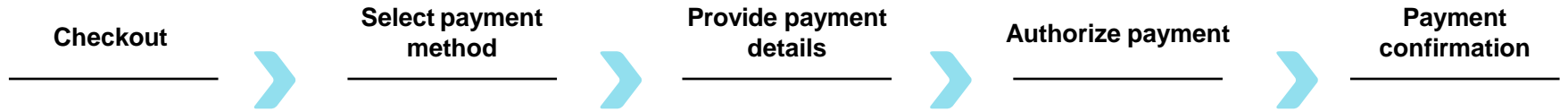
- Deutsche Bank will act as a TPP initiating communications with customers' banks to get agreement on request to pay from customer to Merchant
- Customer refunds will go through the usual refund process
- Solution can be enhanced as per Merchant environment

← Data flow ← Funds flow



Request to Pay – Customer Experience

Payment summary and bank account choice

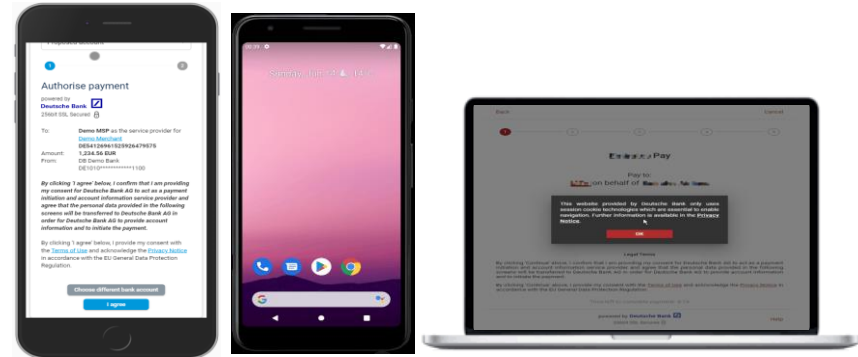


- Customer confirms to buy a selected shopping cart in Merchant's online shop

- Customer selects Request to Pay selected as payment method
- Merchant sends payment initiation request to Deutsche Bank via API

Provide payment details

- User is taken to a page in the merchant app where they can choose the account they want to pay from
- The IBAN of chosen account is sent via API to RtP portal. The RtP User Interface opens in the merchant app and a summary of the payment is shown and user agrees.



Open hyperlink to access mobile and desktop demo :

Use Case 1: Alternate payment method for online sales of goods & services

For Consumer Goods/Airlines



Use Case Summary:

Online Portal

- Customers can select Request to Pay as an alternative payment method to cards at checkout
- Can be offered alongside rewards to incentivise the customer to opt for this payment method

Description & Key Features:

- Offer Request to Pay as an alternative to card based payment methods during online checkout
- Fast and cost effective account based payment method leveraging open banking regulations with **fixed and low-cost transaction charges** as against high card or other alternative payment based interchange/MDR fees
- Immediate and irrevocable payment (for SCT Instant)**
- Easy Reconciliation:** Real-time confirmation (API based notification) of received payment and payment references travelling through the whole payment chain
- Returning customer feature** allows reuse of bank details provided for initial payment

Customer completes shopping and go to checkout



Customer selects RtP as payment method



Option A



Request to Pay



Option C



Customer provides bank/account details



Customer's bank



Customer authorises payment with bank credentials*



Customer and Merchant receive payment confirmation



Use Case 2: Additional payment method to top up pre-paid telecom connection or insurance premium payments



Use Case Summary:

Insurance + Telecom

- Offer Request to pay by link as an alternative to cards at checkout
- Send payment reminders to end customers via email to collect overdue payments

Description & Key Features:

- An additional payment method for payment of insurance premiums or topping up talk time for telecom connection
- **Leverage the QR code functionality for offering this payment method in-store**
- **Alternatively integrate it with your checkout for online web shop or offer the option to pay by link**
- **Immediate and irrevocable payment (for SCT Instant)**
- No need to enter IBAN for existing (returning) customer



Customer invoice due



Merchant requests payment link from RtP



Include link / QR code* in message to customer



Customer gets redirected to RtP via link or QR code



Customer provides bank details



Customer authorises payment



Merchant and customer receive confirmation



Use Case 3: Collect overdue payments & avoid returned direct debits due to wrong account details

Regular Collections from Consumers and Small Businesses



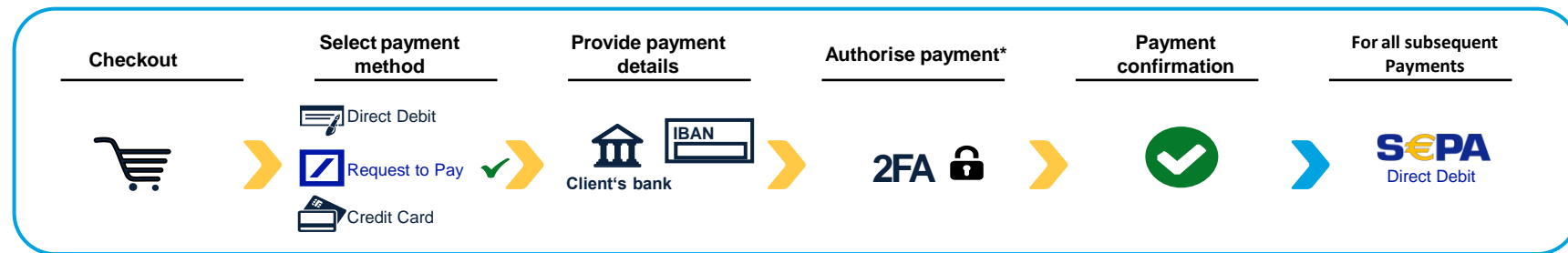
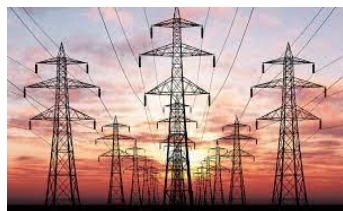
Use Case Summary:

Description & Key Features:

Utilities

- Offer Request to Pay in combination with DDs to reduce incidence of returns due to wrong account details
- Leverage the pay by link option to collect overdue payments

- Offer the option to pay by Request to Pay for the first bill payment
- Embedded Account Information Service functionality (**confirmed IBAN and account owner**) ensures account validation offering robust risk management mechanism
- Integrate registration of subsequent SDD mandates at the time of checkout**
- Ensure reduced cases of returned SDDs due to invalid account details for future collections**
- Easy Reconciliation:** Real-time confirmation (API based notification) of received payment and payment references travelling through the whole payment chain



Request to Pay – Drivers & Features



DB's Request to Pay service is an innovative e-commerce solution allowing merchants to collect funds from their end customers who would authorise the related payments in an automated, integrated and secure way. This solution is a practical application of PSD2's Payment Initiation Service license in combination with SEPA Instant Payments



Reduce

cost and interchange fees for high online eCommerce presence



Improve

working capital & customer trust



Manage

customer credit risk, payment risk and payment collection timing



Comply

with regulation (PSD2)



Payment Initiation

DB facilitates the payment of the client to the merchant via bank transfer



User Experience

Returning customer feature allows reuse of bank details provided in previous payment initiation



Easy Reconciliation

Real-time confirmation of received payment and payment references travelling through the whole payment chain



Refund

DB derives the required account information from the initial transaction and validates the refund amount

Seamless user experience

Risk free solution

Simplified reconciliation

Real time collection via Instant SCT with finality of payment in < 10 seconds

Thanks for your attention!



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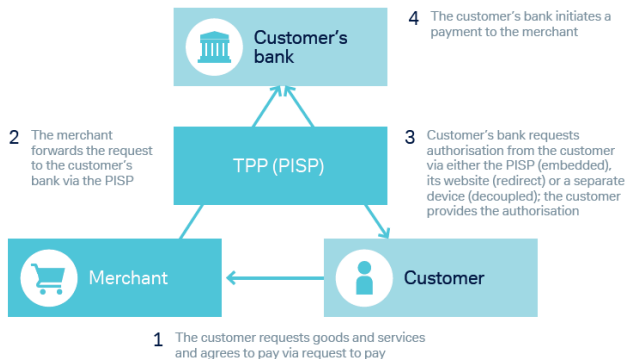
Appendix

Request To Pay: Comparing Open Banking Model & EBA Clearing Model



PSD2 RTP - 3 corner model

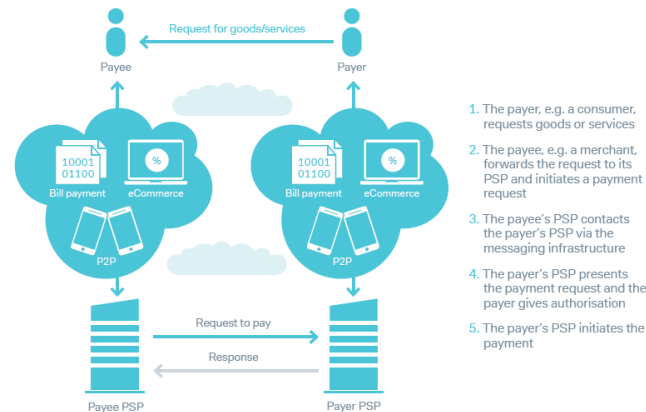
Figure 3: The open-banking model for request to pay



Source: Deutsche Bank

- Under PSD2/Open Banking, RTP can be offered by various PSPs and banks
- PSPs will have to connect with banks through different APIs leading to variation in payments processing and user experience
- Third party payment service provider (TPP) requests the payer for payment initiation
- Already live and subject to availability across banks and PSPs**

EBA RTP - 4 corner model



Source: EBA Clearing

- EBA RTP is restricted to 27 sponsor banks hence reach could be a potential issue
- High degree of standardization across participating banks resulting in availability of value added services like Pay Later with bank guarantee etc.
- Payer receives the request from his bank
- Launched in July 2021**

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