

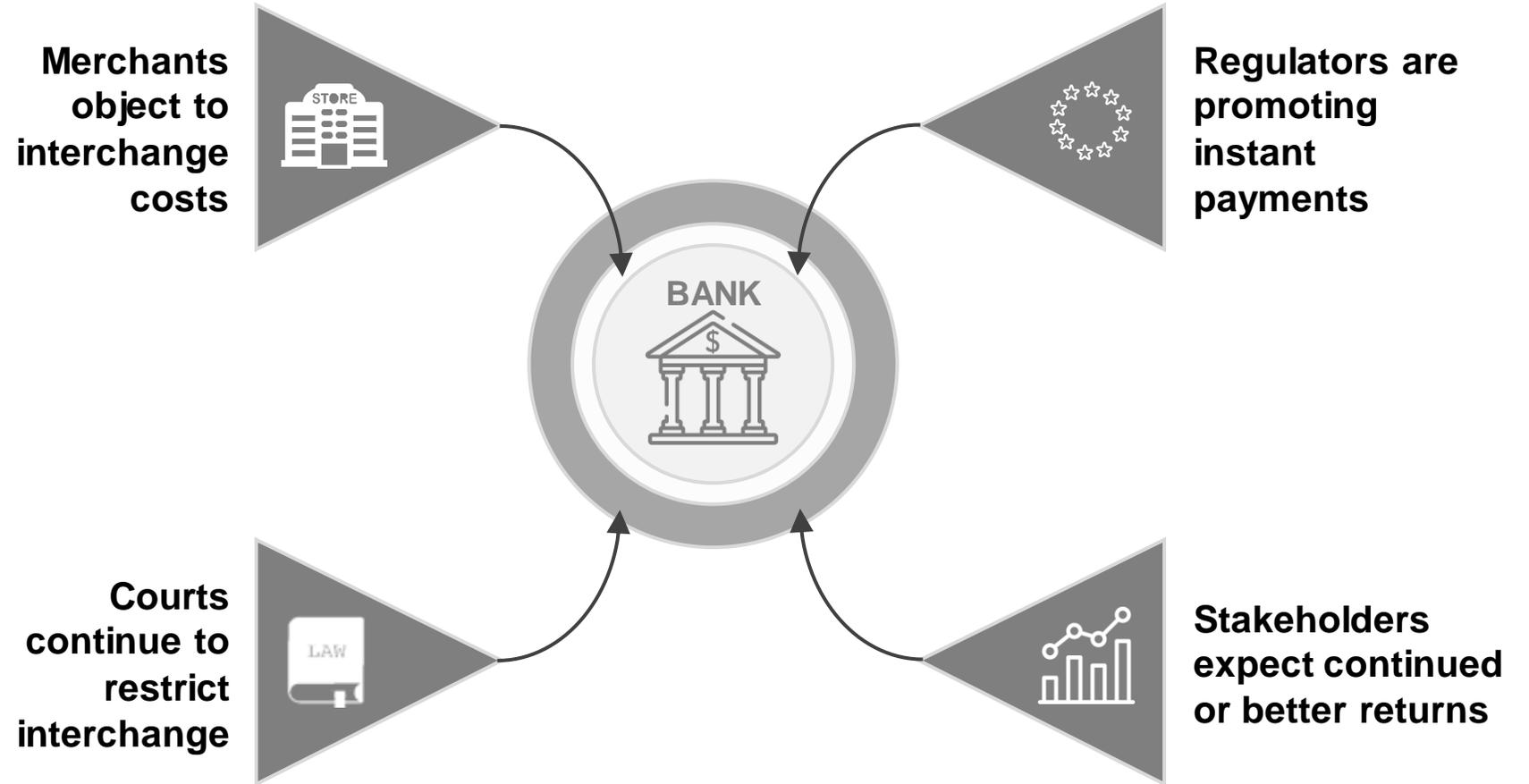
HCL



A proposition for SEPA Instant Payments at the POS

Dr. Michael Maxwell

**A Market Inflection
is around the
Corner**



**A Market Inflection
is around the
Corner**

**Few are happy with
the schemes for
interchange**

**Banks can be at the
center of the
transformation**

**Merchants
object to
interchange
costs**



**Regulators are
promoting
instant
payments**



**Courts
continue to
restrict
interchange**

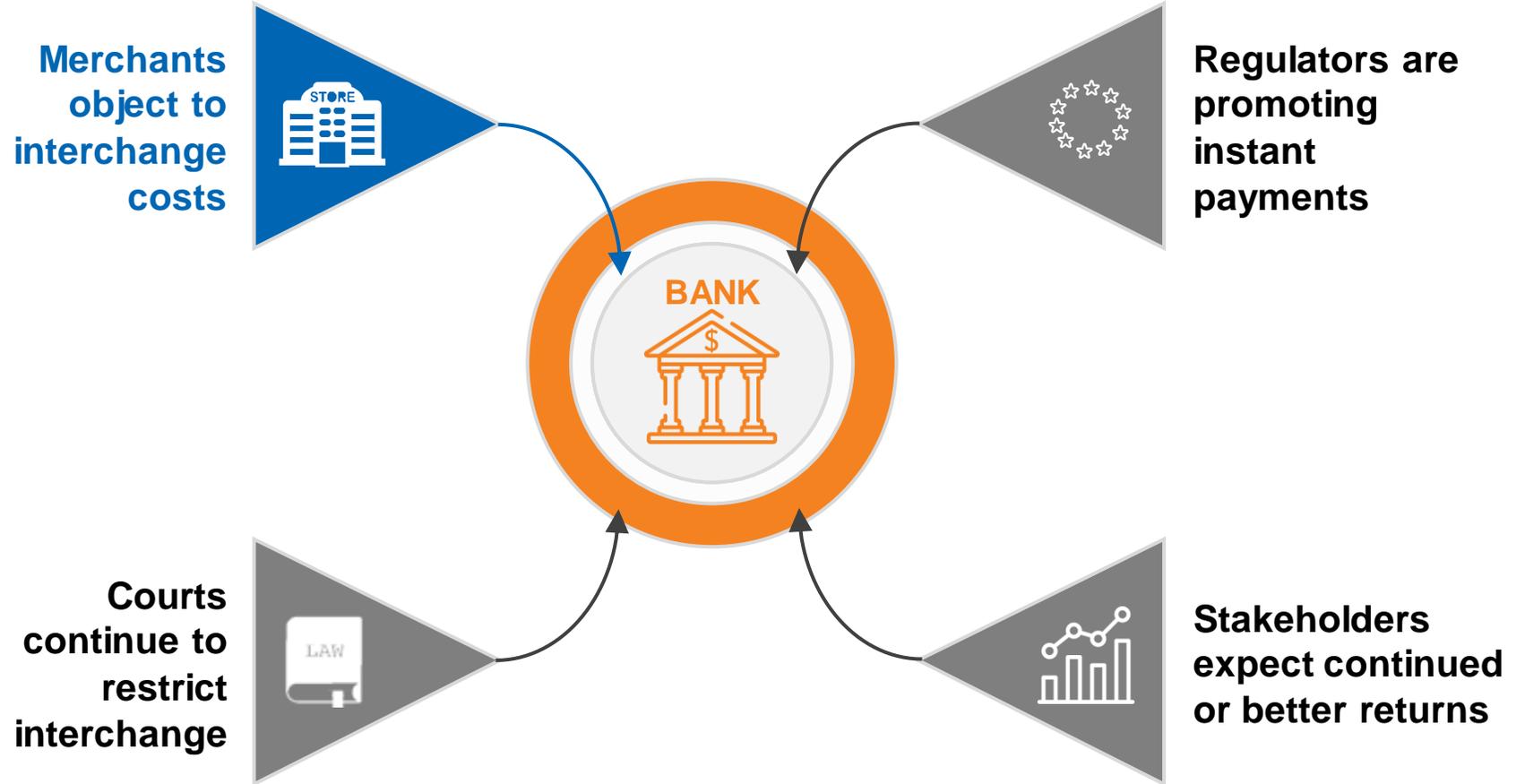


**Stakeholders
expect continued
or better returns**



▶ One of the largest operating cost for many merchants

▶ From VISA US 10k: Merchants' and processors' continued push to lower acceptance costs and challenge industry practices

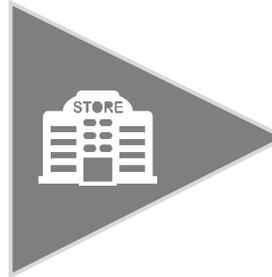


▶ **MasterCard
US 10k Filing:**

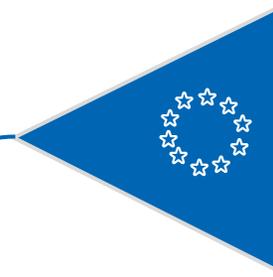
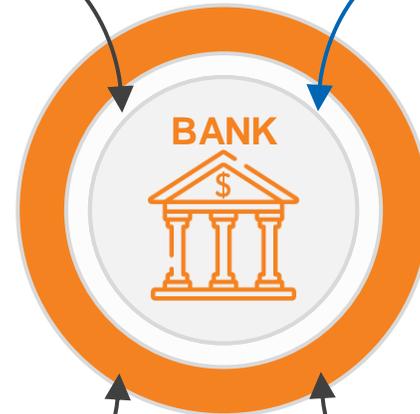
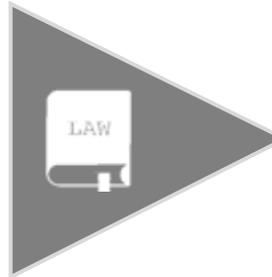
▶ **Regulators ...
seeking to
establish, authority
to regulate....**

**Interchange fees
associated with
four-party
payments systems**

**Merchants
object to
interchange
costs**



**Courts
continue to
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interchange**



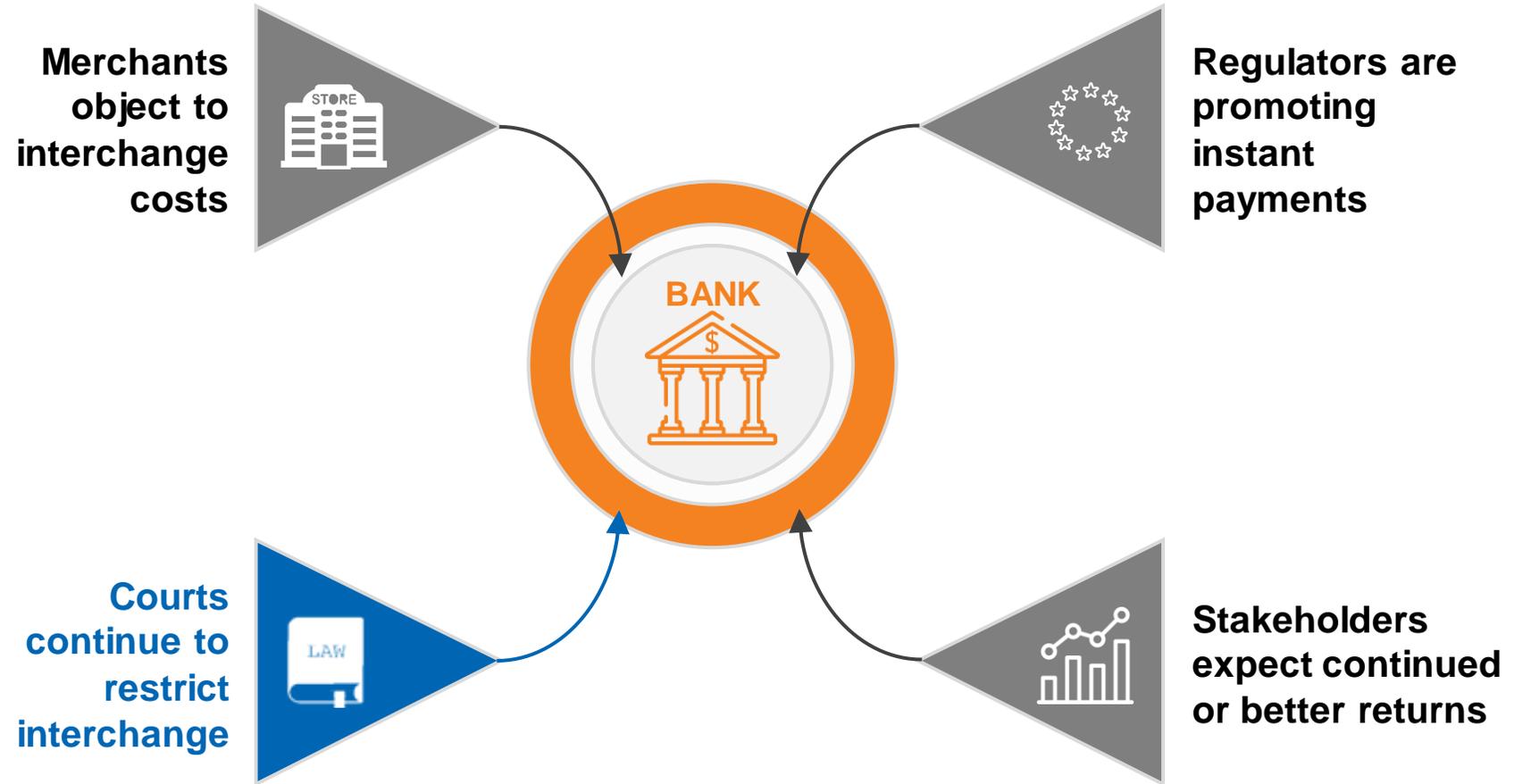
**Regulators are
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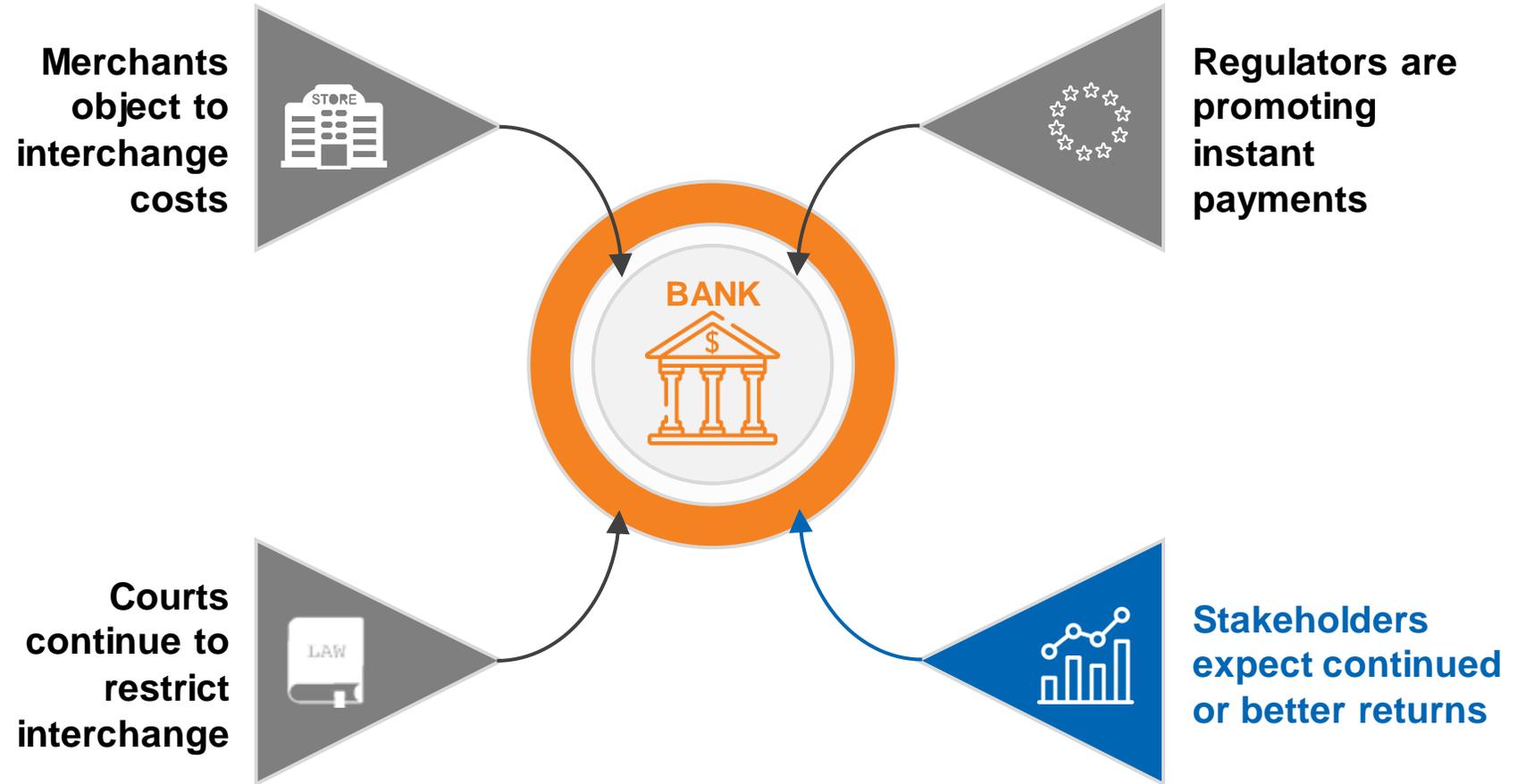
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VISA US 10k:

We may be adversely affected by the outcome of litigation... alleging... violations of competition and antitrust law, consumer protection law...



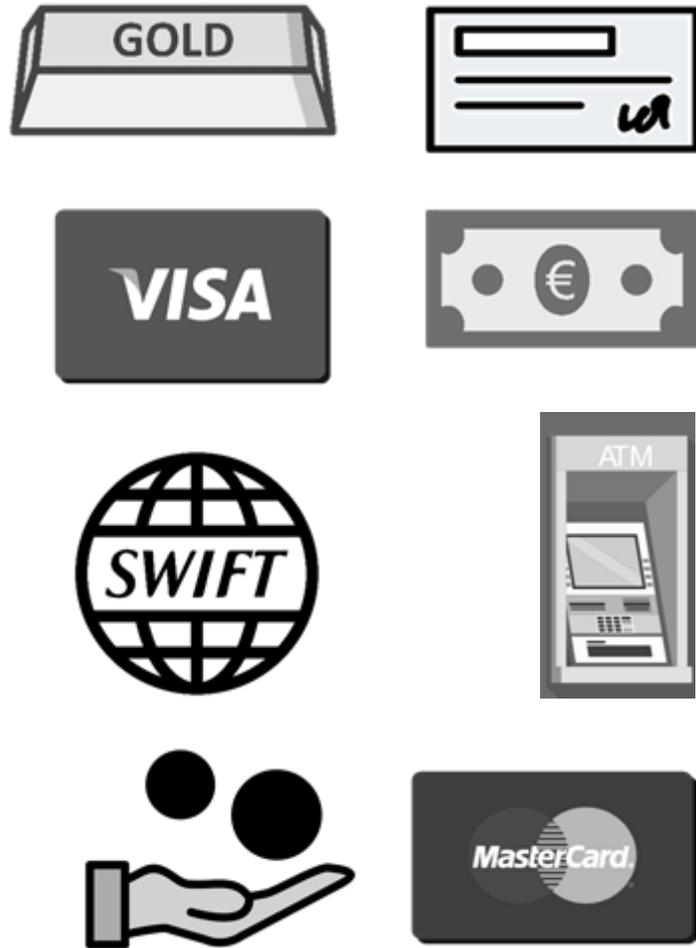
There is nothing we could say on this topic that this audience does not already know better....





Start with strategy





Creative Destruction

Predicts that today's payment technology will be destroyed to clear the ground for the creation of a new wave of payment schemes

It is better to be part the new wave than to be destroyed



Joseph Schumpeter

German banker, lawyer, professor – completing career at Harvard in US

Founder of the Theory of Entrepreneurship

Popularized Creative Destruction

Disruption Theory

The eventual new dominant design will start as an inferior product in an underserved niche

Eventually, the disruptor grows to become the dominant design



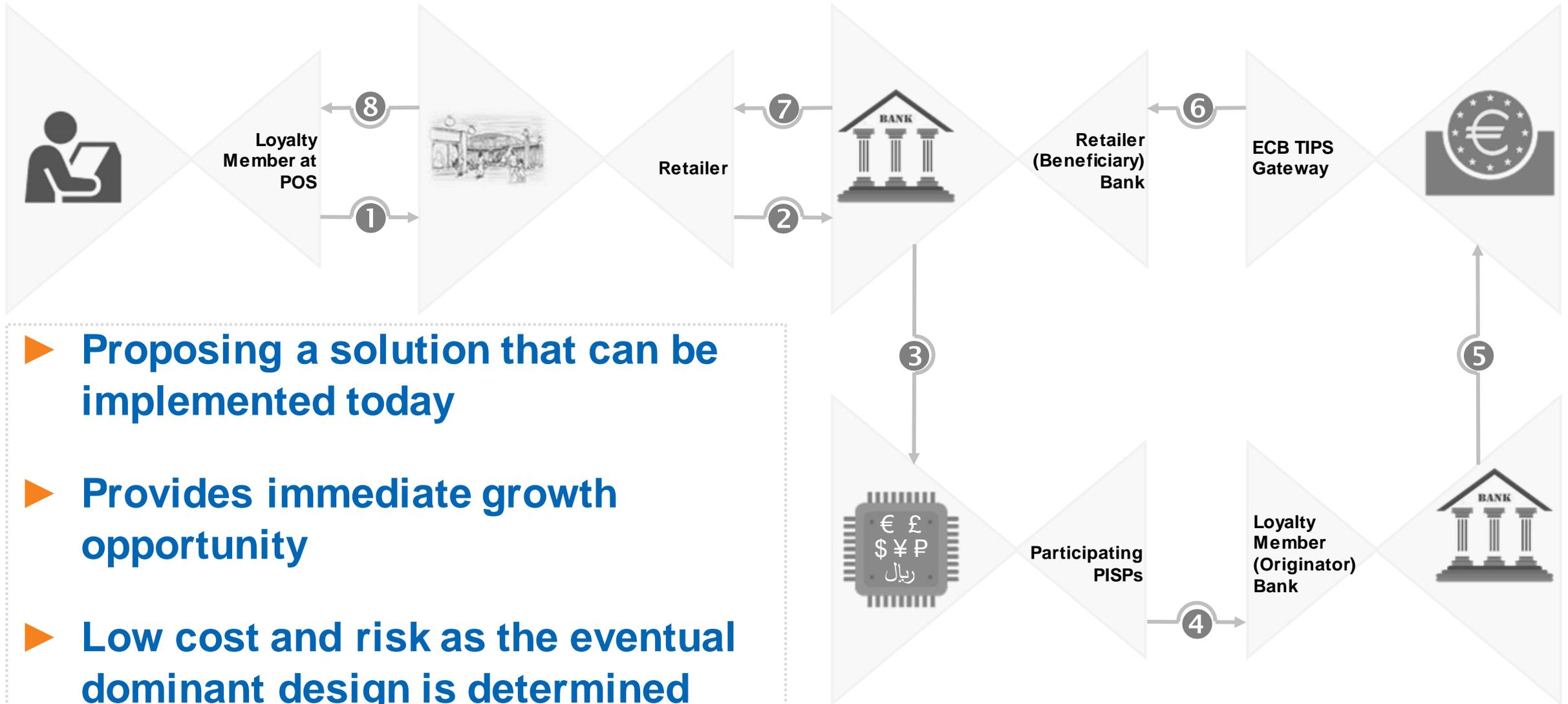
Clayton Christensen

American academic, business consultant

*Kim B. Clark
Professor of Business Administration at the Harvard Business School*

Best known for his theory of disruptive innovation

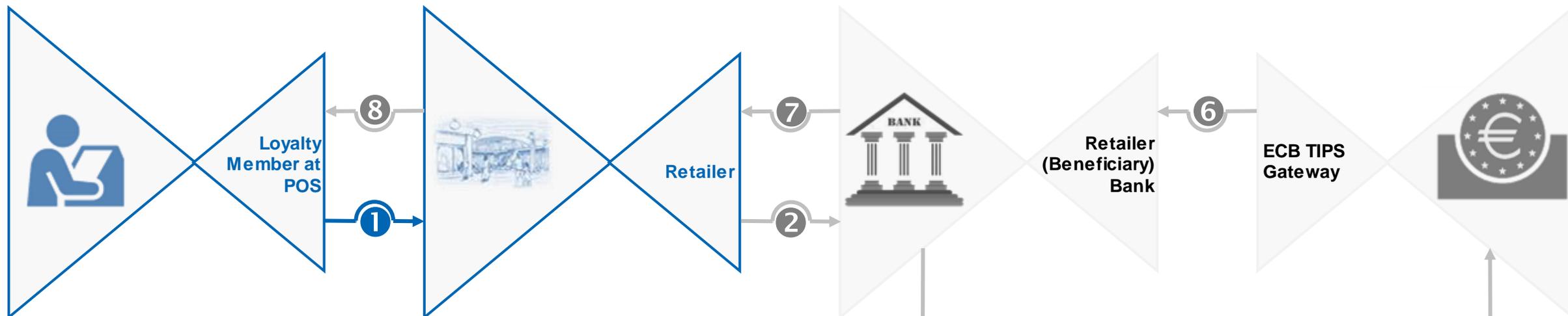




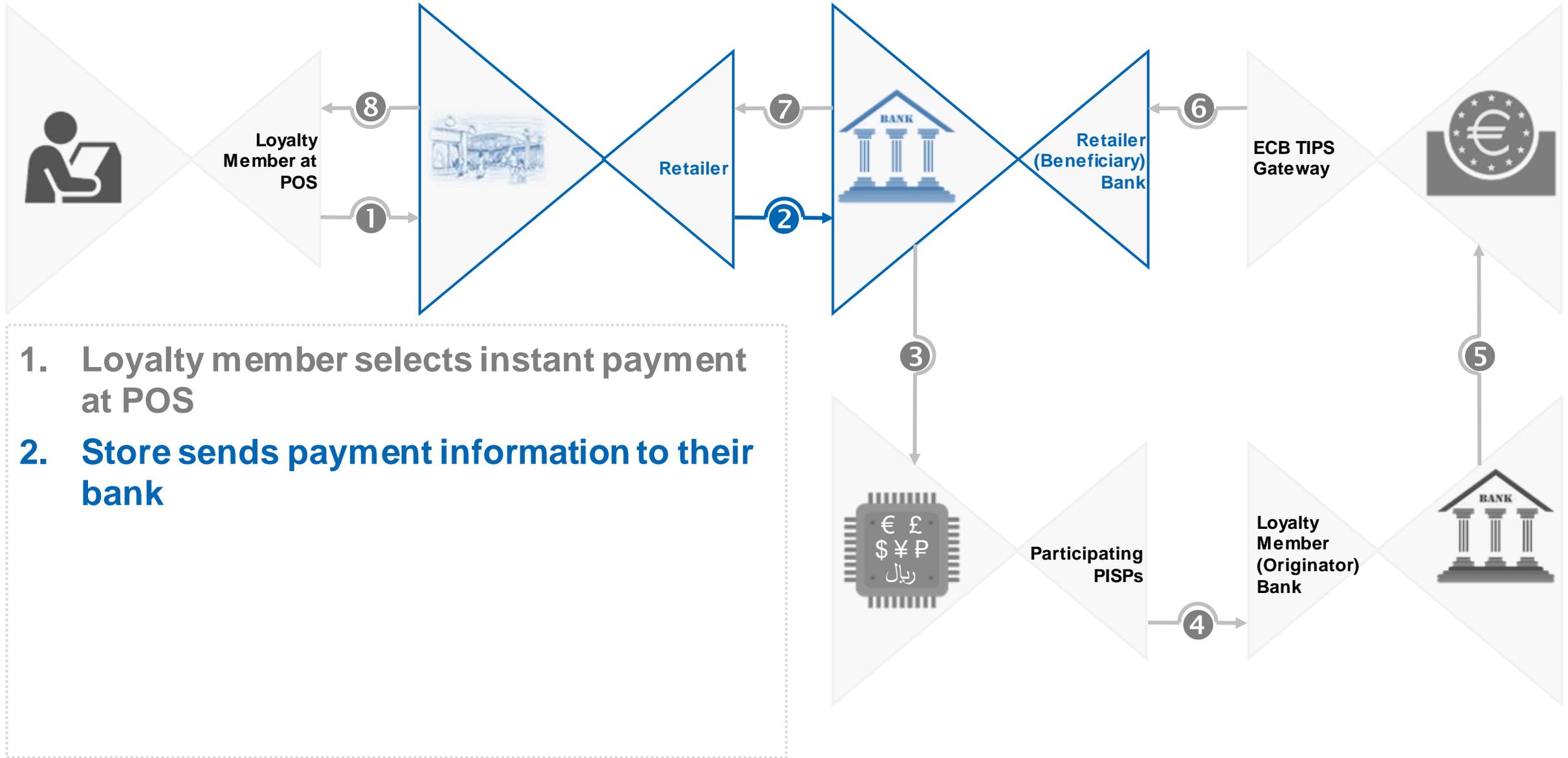
- ▶ **Proposing a solution that can be implemented today**
- ▶ **Provides immediate growth opportunity**
- ▶ **Low cost and risk as the eventual dominant design is determined**

The background features a collage of overlapping triangles in shades of teal, blue, and light gray. Some triangles contain icons such as gears, a hand holding a gear, and network diagrams. The text 'Solution Proposed' is centered on the right side of the slide.

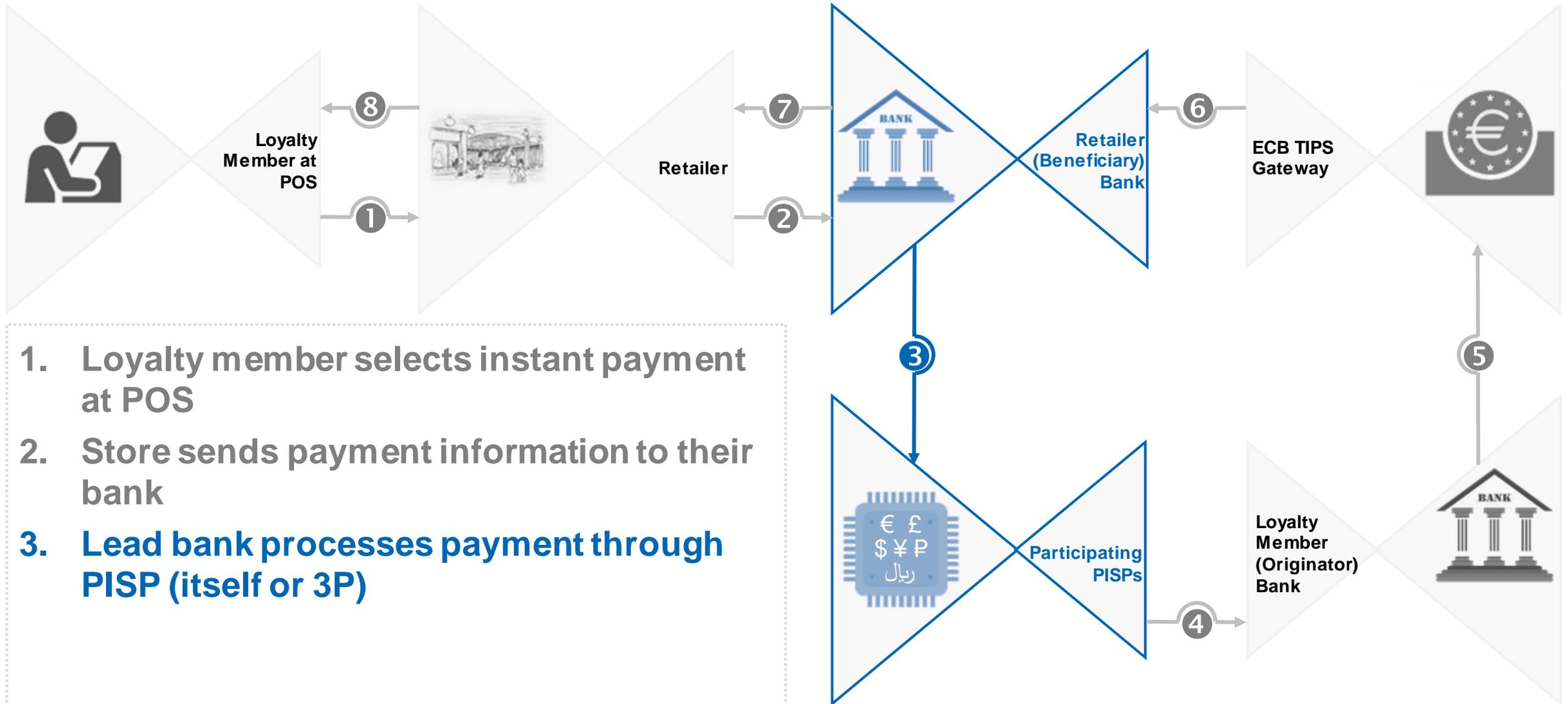
Solution Proposed



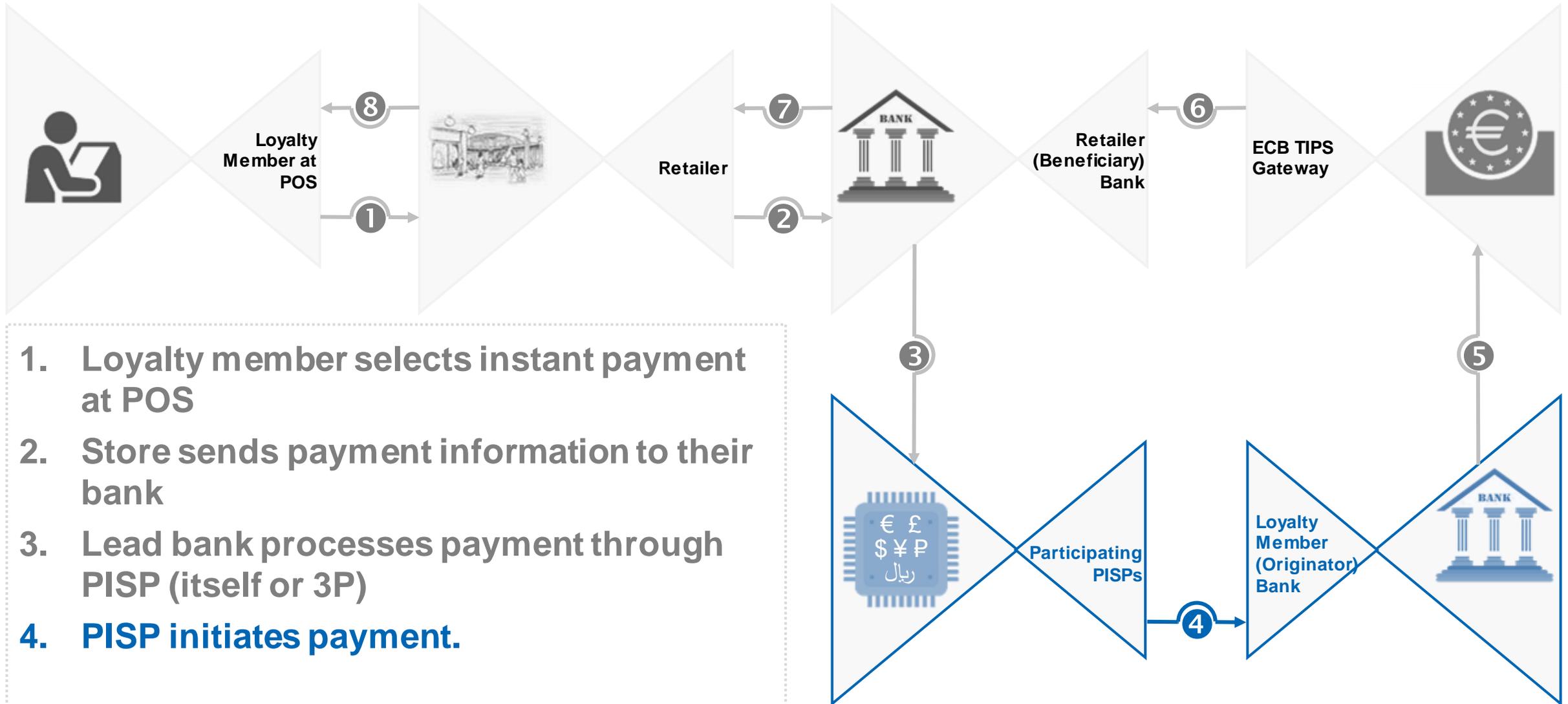
1. Loyalty member selects instant payment at POS



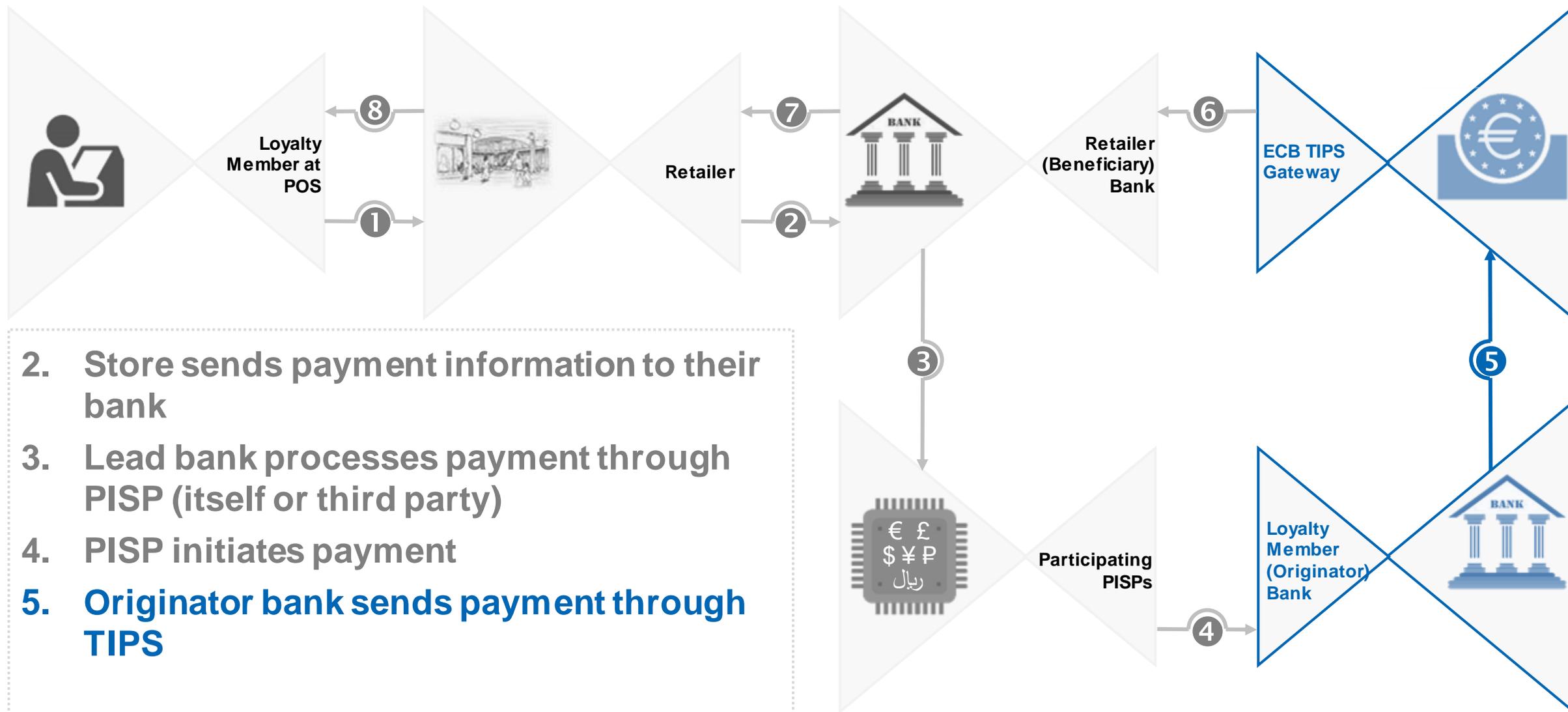
1. Loyalty member selects instant payment at POS
2. Store sends payment information to their bank



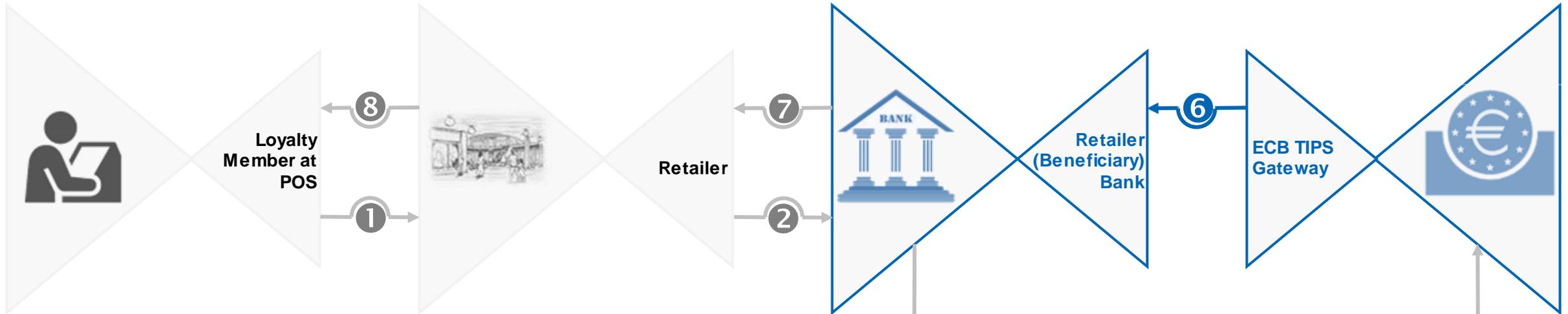
1. Loyalty member selects instant payment at POS
2. Store sends payment information to their bank
3. **Lead bank processes payment through PISP (itself or 3P)**



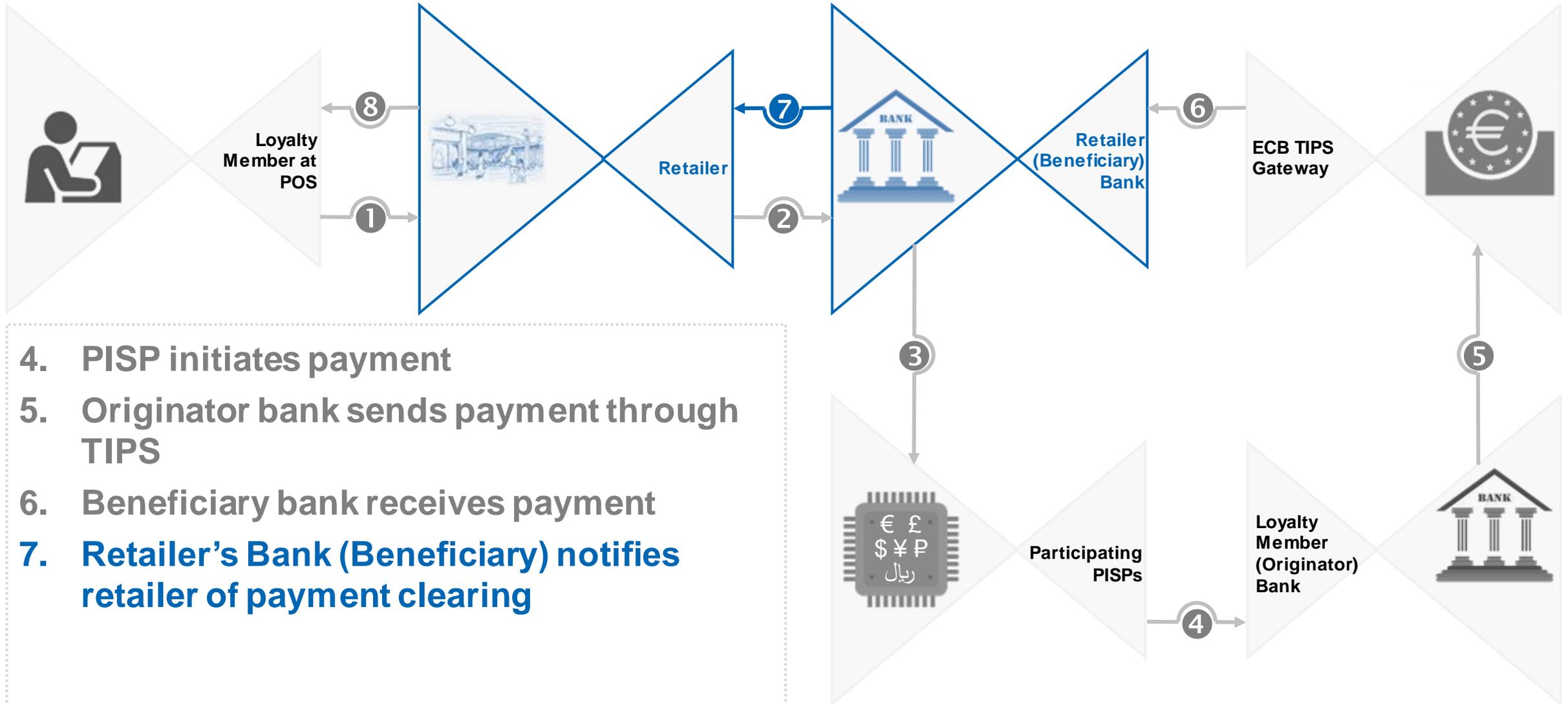
1. Loyalty member selects instant payment at POS
2. Store sends payment information to their bank
3. Lead bank processes payment through PISP (itself or 3P)
4. **PISP initiates payment.**



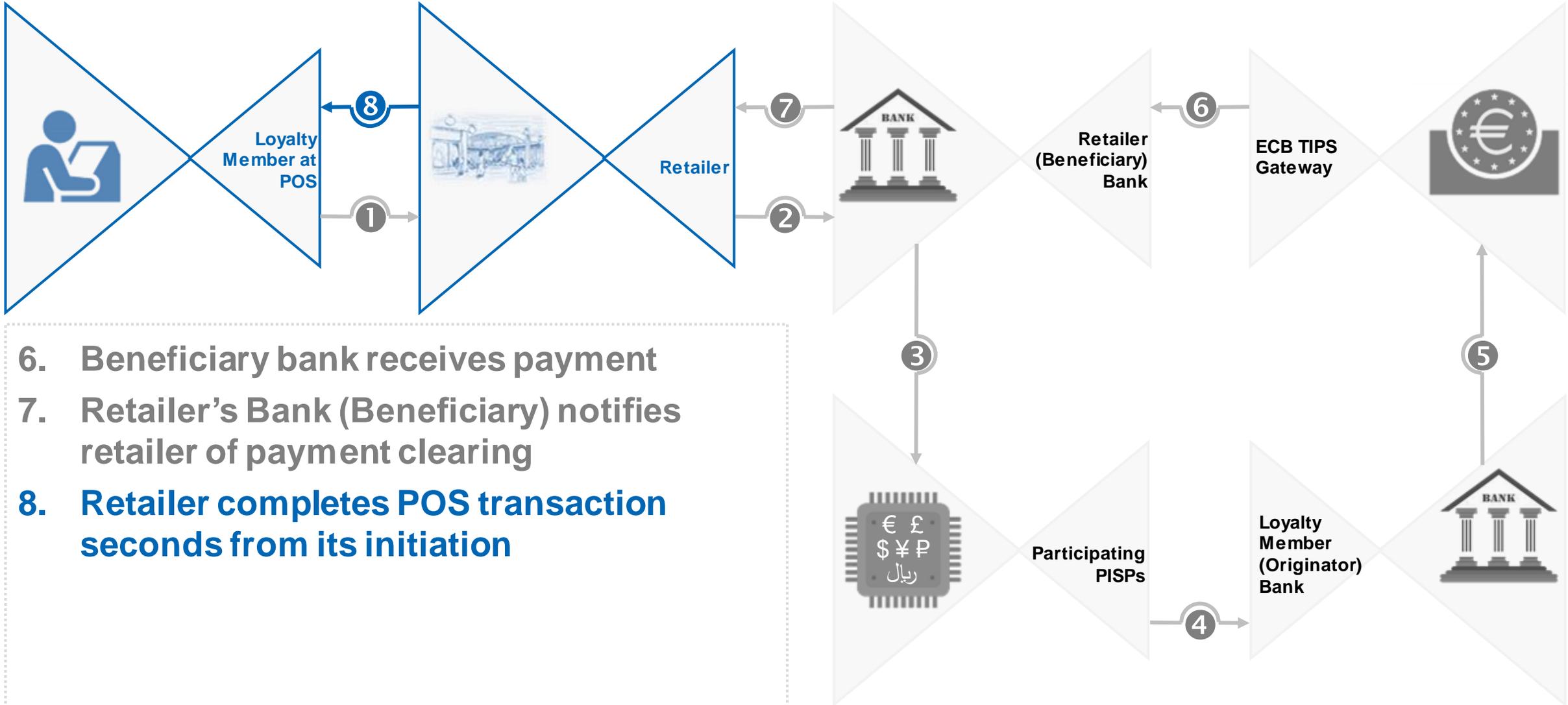
- 2. Store sends payment information to their bank
- 3. Lead bank processes payment through PISP (itself or third party)
- 4. PISP initiates payment
- 5. **Originator bank sends payment through TIPS**



- 2. Store sends payment information to their bank
- 3. Lead bank processes payment through PISP (itself or 3P)
- 4. PISP initiates payment
- 5. Originator bank sends payment through TIPS
- 6. **Beneficiary bank receives payment**



- 4. PISP initiates payment
- 5. Originator bank sends payment through TIPS
- 6. Beneficiary bank receives payment
- 7. **Retailer's Bank (Beneficiary) notifies retailer of payment clearing**



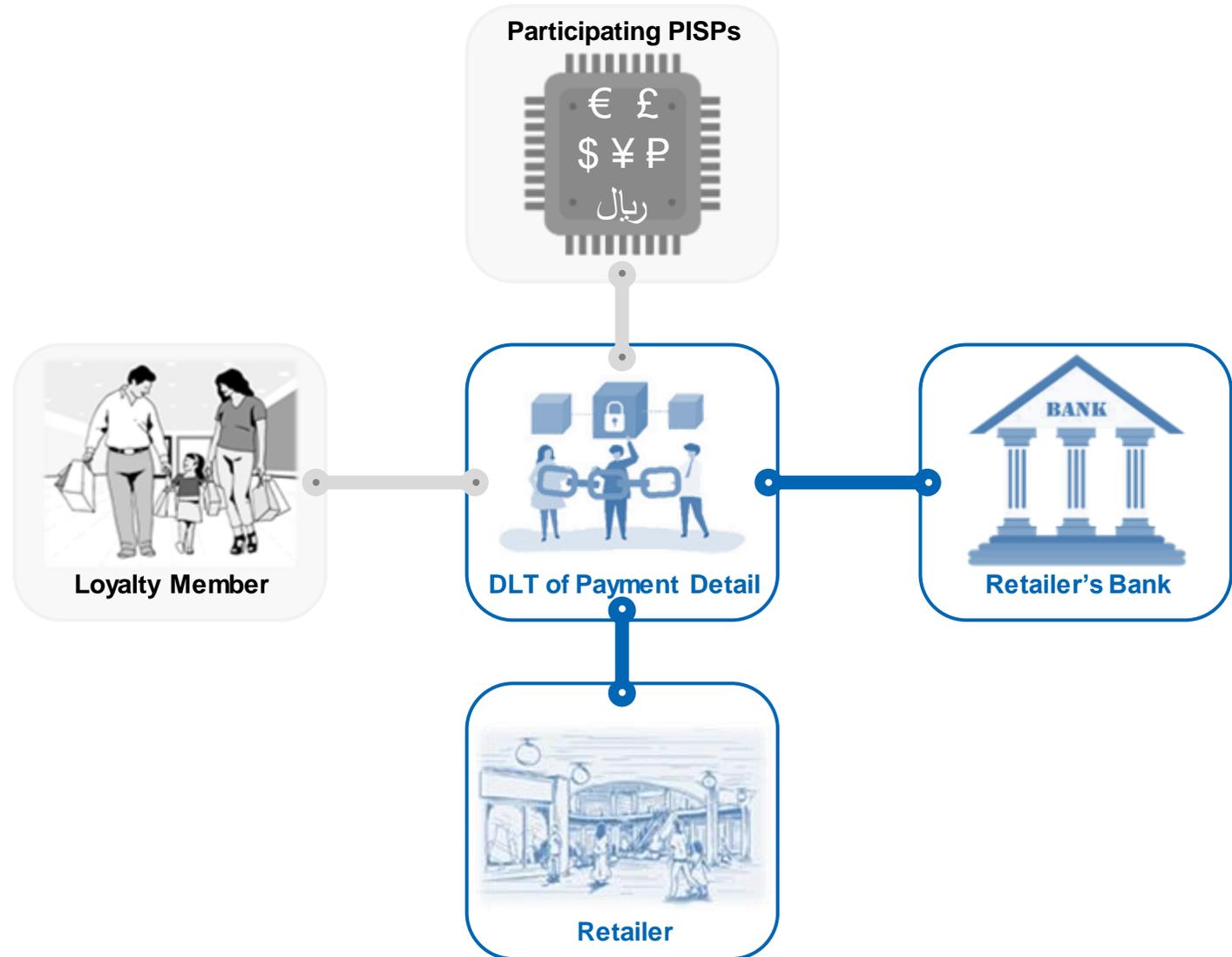
- 6. Beneficiary bank receives payment
- 7. Retailer's Bank (Beneficiary) notifies retailer of payment clearing
- 8. **Retailer completes POS transaction seconds from its initiation**



Loyalty Member's View

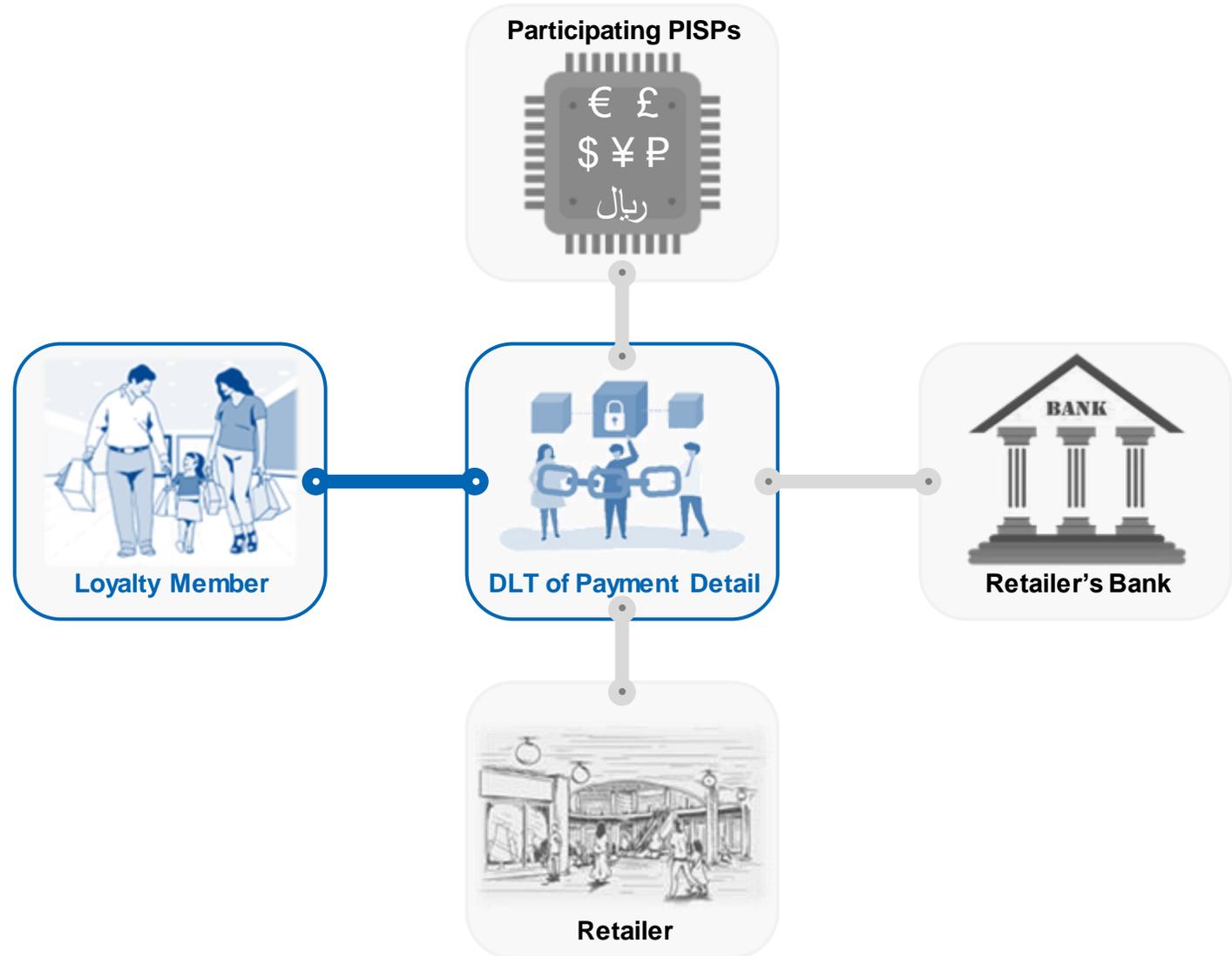
A distributed ledger operated the retailers bank is used to maintain payment details to be used by all participants to the payment.

Retailer enables loyalty member for instant payments at the POS in the Distributed Ledger

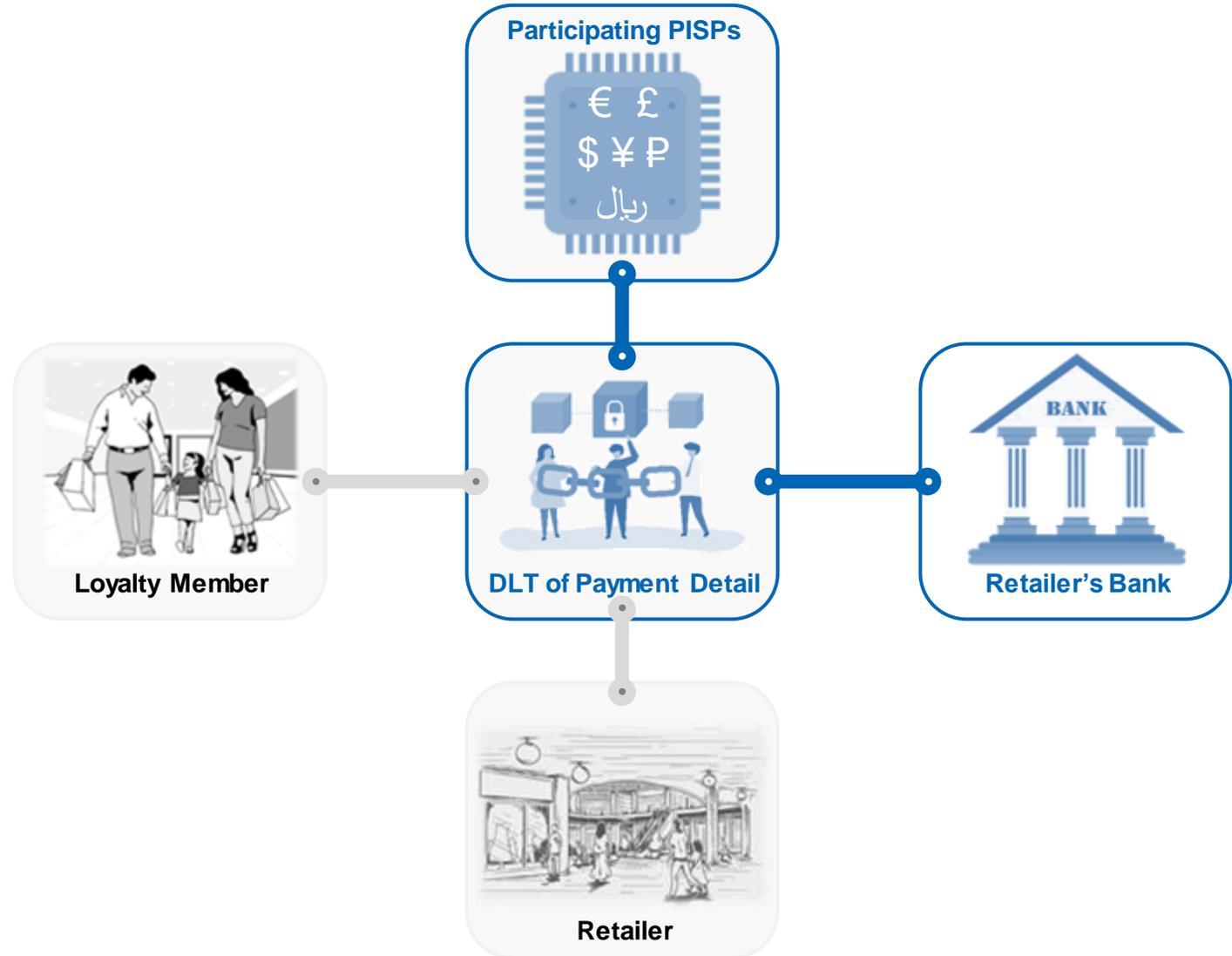


The loyalty member enters their payment details in the distributed ledger

Payment details are only editable by the loyalty member



Participants executing the payment can access the loyalty member's data from the distributed ledger





Wrap Up

- ▶ **Revenue / Market growth opportunity**
 - ▶ POS transactions at a more attractive price
 - ▶ No fee sharing versus traditional schemes
 - ▶ Can grow targeted segments
- ▶ **Fintech approach: act as, partner with, buy PISP**

**Benefit in Offering
POS Service**



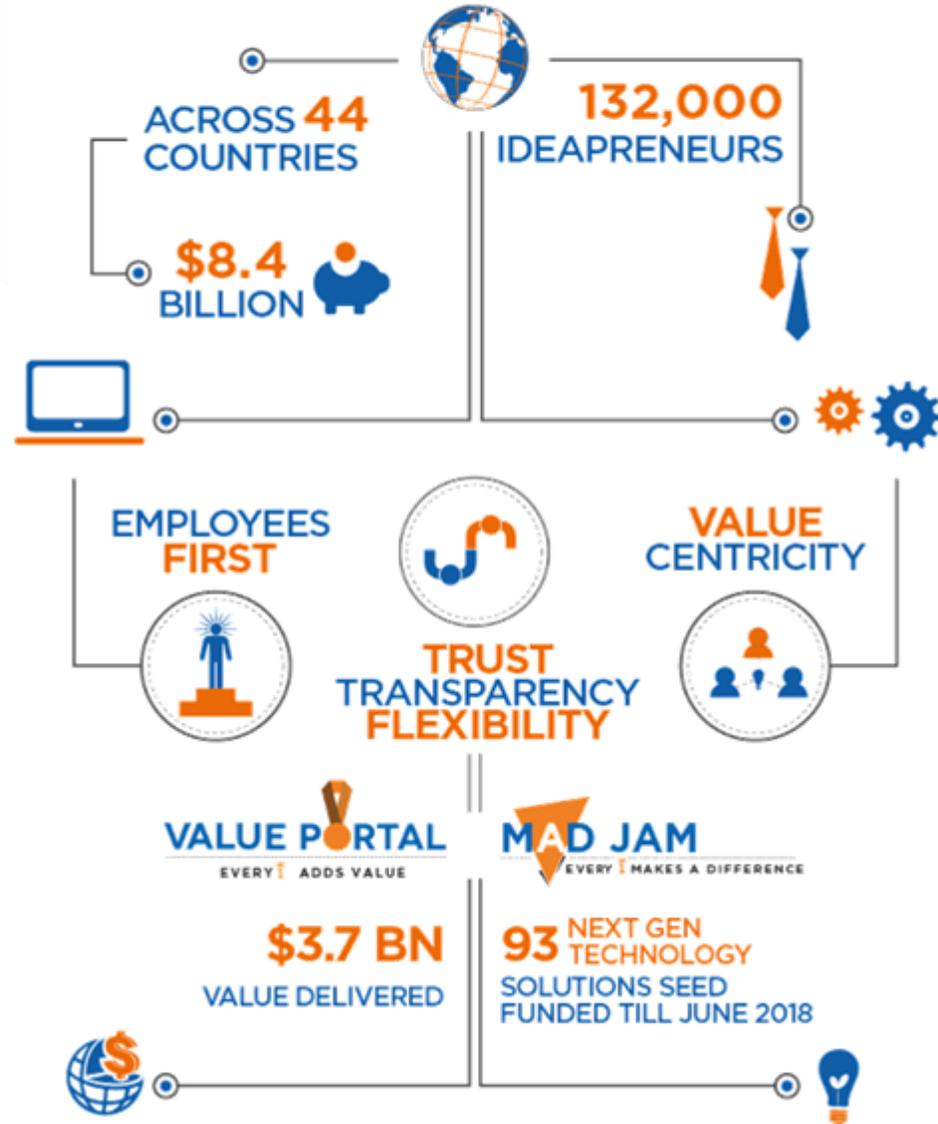
- ▶ **Lower cost / risk approach to addressing market disruption**
- ▶ **Participate in the creator business model**
- ▶ **Head start as the eventual dominant solution is determined**

Market Advantage



Relationship™

BEYOND THE CONTRACT





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Thank You

HCL

\$8.4 BILLION ENTERPRISE | 132,000 IDEAPRENEURS | 44 COUNTRIES

 **WATCH THE FILM**