



Payment and Airline Industry regulations: Challenge or Opportunity?



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Travel Payment Consultancy

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Summit 2019**

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Industry regulations

Challenge or Opportunity?

IATA

- NDC (New Distribution Capability)
- TIP (Transparency in Payments)

European Banking Authority / PSD2

- SCA (Strong Customer Authentication)
- Open Banking (Payments)



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APM's Payments Cards

Acquirer Risk

Mobile

Fraud Team

Revenue Accounting Kiosk Sales Airport Compliance Refunds Inflight Costs Support

Ancillaries Regulations EMV Chargebacks Tokenization Payment Hub Gateway Reporting Apple Pay Reconciliation PCI-DSS NDC IATA 3D PSS BI UX

IATA, Airline Trade Association



or Payments Company?



“Our mission is to represent, lead and serve the airline industry”
(advocacy, standards, products & services)

“NDC (New Distribution Capability) will enable the travel industry to transform the way air products are retailed to corporations, leisure and business travelers, by addressing the industry’s current distribution limitations: product differentiation and time-to-market, access to full and rich air content and finally, transparent shopping experience.”

NDC payments 101:

Impact on payment process, compared to traditional agency sales via GDS/BSP:

- Authorization via acquirer vs. scheme
- Capture real-time vs. batch
- Fraud management by airline (or agent)
- Liability for chargebacks to airline
- eCom vs. MOTO (SCA!)
- Different (airline) stakeholders

Impact on payment process, compared to direct online sales via airline.com:

- No 3D 2.x secure (yet)
- No Redirect payments (yet)
- No asynchronous payments
- UX / control of payment page with agent
- PCI-DSS, Tokenization
- Processing as BSP “card” or “cash”

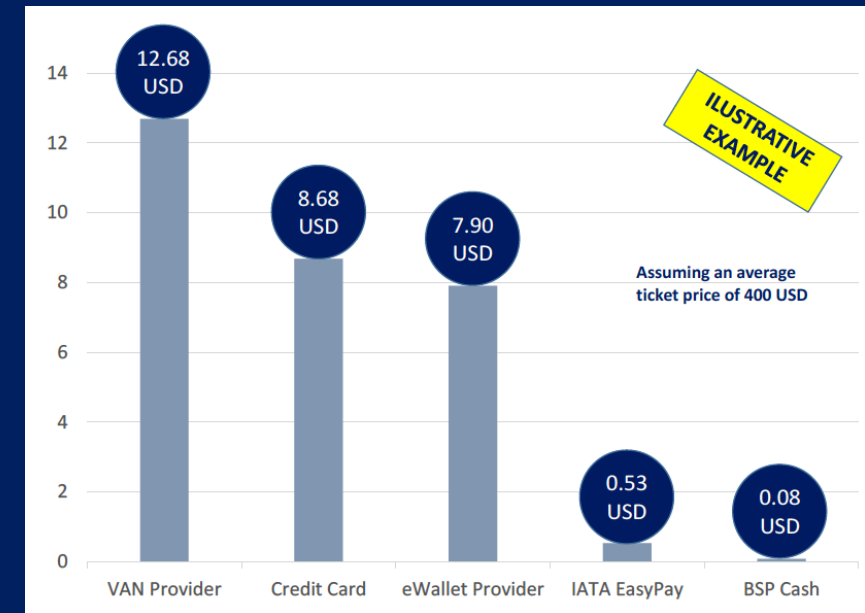


“Transparency in Payments (TIP) is an industry initiative focused on providing airlines with increased transparency and control in the collection of their sales through the travel agency channel. At the same time, it will enable travel agents to take advantage of new forms of payment for the remittance of customer funds”

Resolution 890 - Use of “agent’s own card” in BSP

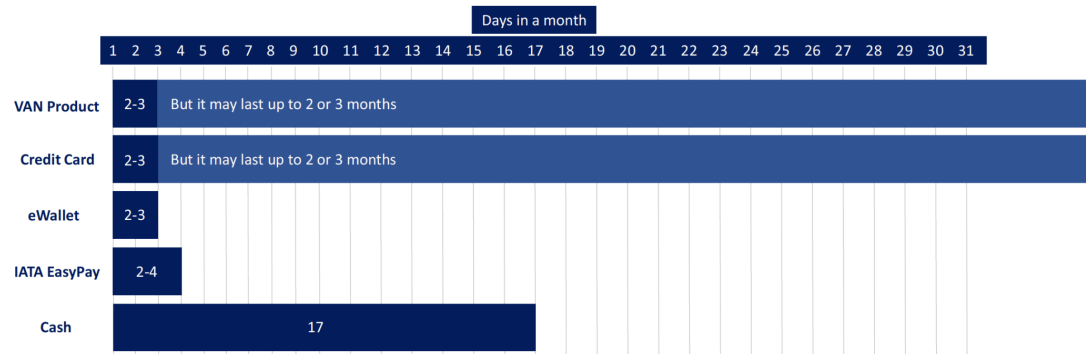
- Airlines define their individual commercial policy
- Enrolment process to ensure transparency for both Agents and Airlines
- Mechanism to verify Airline consent

“If an airline consents, TIP explicitly allows travel agents to use their own credit cards”



Source: NewGen ISS Airline Readiness Guide v2.6





Source: NewGen ISS Airline Readiness Guide v2.6

From an OTA point of view however VCC's offer flexibility and allow process optimization:

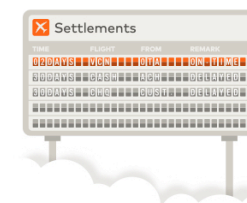
- Accept a single payment for a booking that includes multiple suppliers
- Accept a consumer payment in a different currency than the fare in the GDS
- Accept a (local / alternative) form of payment not supported by the GDS

Benefits of using Virtual Cards in the travel ecosystem



1 Greater peace of mind

Virtual cards create a safety net when working with an expanding network of partners by lowering distribution risk.



2 Your payment has arrived

Virtual cards are an effective tool in speeding up the payment settlement period.



3 Well-travelled payments

Virtual cards streamline process to help travel parties interact and transact across global borders.



4 Compliance is key

Virtual cards are compliant with regulatory requirements, which supports travel organizations' efforts to protect customer data.



5 Growth through sales

Virtual cards help drive new sales volumes by increasing reach, access and customer satisfaction in a growing market.



6 Better customer experience

Virtual cards allow travel providers to improve customer experience by offering more choice, convenience and confidence.



7 Payments on autopilot

Virtual cards simplify and streamline back office tasks reducing the reconciliation process by up to 95%.



8 Fighting fraud

Virtual cards protect B2B transactions across the travel industry preventing fraudulent payments.

Revised Directive on Payment Services (PSD2)



Strong Customer Authentication (SCA)

Two factor authentication:

1. What you know
2. What you have
3. What you are

- Reduce Fraud (and related costs)
- Increase cardholder confidence

Key question: Does SCA apply to Chinese carriers?

- 2 legs in the EEA (European Economic Area)
 - Cardholder country
 - Acquirer country (so not merchant country)
- Electronic payments
 - Customer initiated
 - Cards, online banking, ewallets
 - MOTO excluded (BSP, Call Center)
 - Airport / Kiosk (POS/EMV)



Source: Wikipedia



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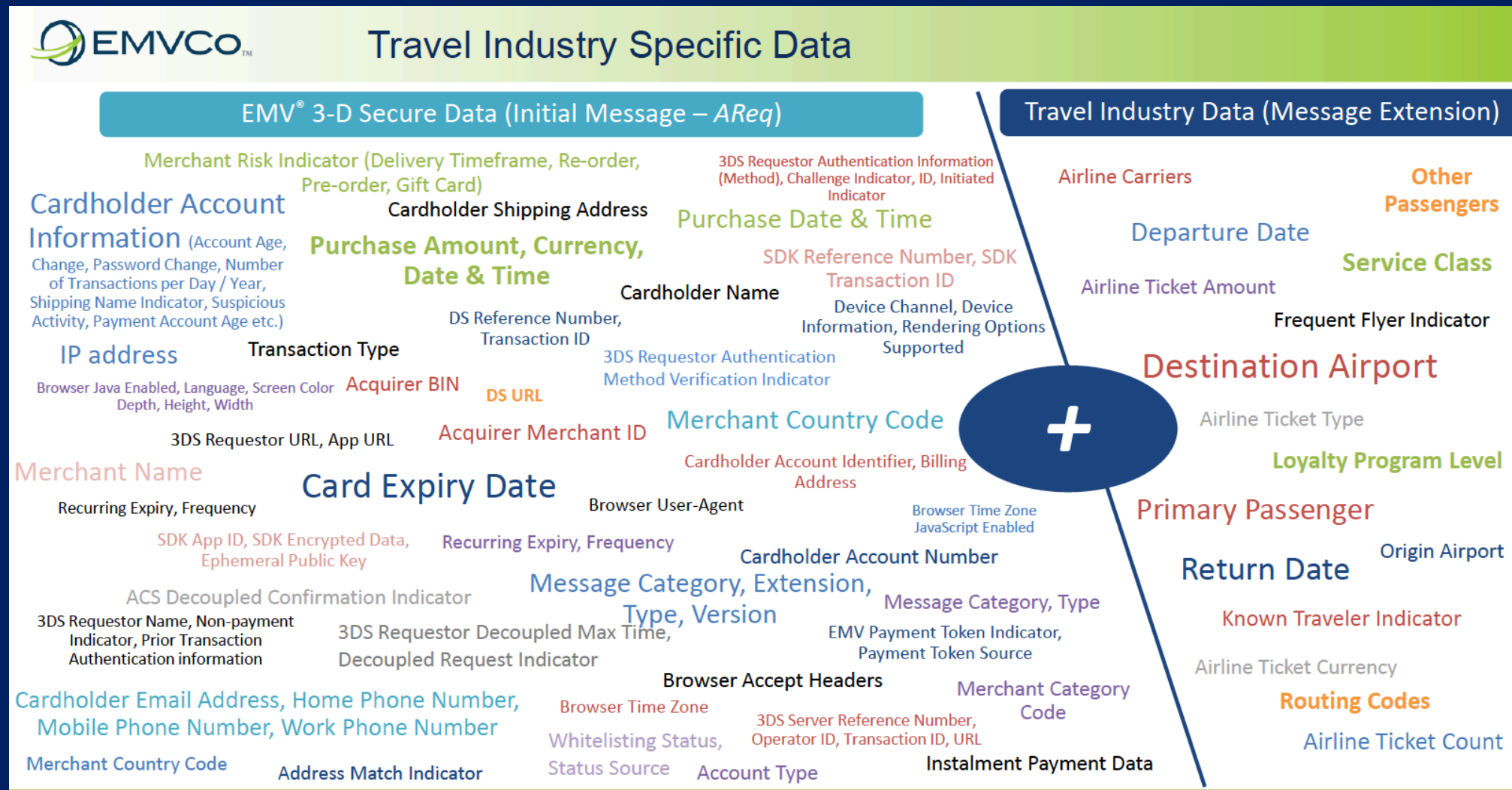
Implementing Strong Customer Authentication (SCA) for Travel & Hospitality – Visa Guide February 2019

“Principles for implementing SCA specific to the Travel and Hospitality Industry:

1. Transactions which originate in the eCommerce channel should be processed as eCommerce.
2. If a transaction is initiated as MOTO, it is out of scope of PSD2 SCA requirements
3. Travel Agencies (MCC 4722) can facilitate authentication on behalf of other merchants’ Acquirers for which they handle bookings
4. Any Travel Agent wishing to facilitate authentication on behalf of other travel merchants’ Acquirers must use 3DS version 2.1 or later
5. It is the merchant collecting the funds that must process the authorization
6. Exemptions should not be used for travel scenarios where a future MIT may be required (e.g. for no shows)”



EMV® 3-D Secure Travel Industry Message Extensions



Revised Directive on Payment Services (PSD2)




Access to Accounts

Open Banking

“Open Banking is a brand new, secure way for consumers including small businesses to share information, allowing new and existing companies to offer super-fast payment methods and innovative banking products. It has the power to revolutionise the way we move, manage and make more of our money.”


Select a payment method:

☐ Your current payment method 


☒ Open Banking (UK)


☐ Save to my account as my preferred payment method.

i The following banks are supported: Allied Irish Bank, Bank of Scotland, Barclays, Danske, Halifax, HSBC, Lloyds Bank, Nationwide, NatWest, Santander, The Royal Bank of Scotland, and Ulster Bank.
Please note: you will be redirected to our partner Adyen to finalise your payment.

☐ PayPal 


☐ Bank transfer




















☐ Credit card 
A fee may apply (up to GBP 2.21)


☐ Debit cards 


adyen

Step 2: Enter your Payment Details


You are paying GBP 110.31 with 


 Allied Irish Bank <input type="radio"/>	 Allied Irish Bank (Corporate) <input type="radio"/>
 Danske Bank <input type="radio"/>	 Danske Bank (Corporate) <input type="radio"/>
 First Trust Bank <input type="radio"/>	 First Trust Bank (Corporate) <input type="radio"/>
 Bank of Ireland <input type="radio"/>	 Bank of Scotland <input type="radio"/>
 Barclays <input type="radio"/>	 First Direct <input type="radio"/>
 HSBC Bank <input type="radio"/>	 Halifax <input type="radio"/>
 Lloyds Bank <input type="radio"/>	 M&S Bank <input type="radio"/>
 National Westminster Bank <input type="radio"/>	 Nationwide Building Society <input type="radio"/>
 Royal Bank of Scotland <input type="radio"/>	 Santander <input type="radio"/>
 Ulster Bank <input type="radio"/>	


Step 1 - Who are you? 

Surname/Last Name 


How would you like to log in?

☒ Membership number 
[Forgotten your membership number?](#)

☐ Card number 

☐ Sort code and account number 

Remember me

☐ Make it easier to log in next time 
Don't tick the box if you're using a public or shared device

Next Step

Source: KLM website

“Open Banking is a brand new, secure way for consumers including small businesses to share information, allowing new and existing companies to offer super-fast payment methods and innovative banking products. It has the power to revolutionise the way we move, manage and make more of our money.”

Merchant perspective:

- Cost reduction
- Additional sales
- Less fraud (non reversable)
- No deposit / holdback
- Aggregation (single API, harmonized contracting, reporting & funding)

Consumer perspective:

- Adoption
- Brand recognition
- Dispute rights in case of bankruptcy
- Instant payment (no credit)
- Loyalty point / perks
- Amount limitation / spending limit
- Incentive?



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Industry regulations

Challenge or Opportunity?

- NDC = Strategic, do not forget the payment component
- TIP = Agents and VCC vendors to work with airlines to restore balance
- SCA = Potential disruption so better be prepared!
- Open Banking = make it part of your APM roadmap with your PSP('s)
- Holistic view on payment strategy required (across all channels)!



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