



PAYMENT SOLUTIONS IN
BUSINESS TRAVEL

INTRODUCTION ON THE CHANGING LANDSCAPE

BATM

BELGIAN ASSOCIATION OF TRAVEL MANAGEMENT

February 2019

Intro by Pascal Struyve, — Director of the Board and President

Dear BATM fan,

“Being a travel manager, is doing 12 jobs at the same time.” That quote struck a chord during our last BATM event. In our daily jobs, we’re at the crossroads of HR, purchasing, finance, IT and even marketing. With the latest evolutions in legislation, we could consider adding legal to that list...

Assuming this role of professional chameleon takes up quite some energy. That’s no problem, but it makes it difficult sometimes to keep up with everything that’s changing around us. From our survey on payment solutions, we learned that some of the respondents are not fully aware of how PSD2 and other legislation will impact their business travel programs. Not complying with legislation can lead to serious financial and reputational issues, so not being aware of what’s coming is simply... not an option.

Enter BATM. For the past 18 years, it has been our mission to reunite, inform and inspire Belgian business travel professionals. Our event on payment solutions, for which we partnered with ACTE, to me was the ultimate proof of our association’s mission. Stefanie Smook, Tommy Vandepitte and Mario Kriebel did an excellent job in updating us on the changing landscape of payment possibilities and legislation. They translated one of the most complex topics in our industry into an understandable language and actionable insights. The two panel discussions showed how we can put the theory into practice and learn from each other.

With this report, we want to share a quick recap of the talking points of our event. We’ve also included the results from our survey. And at the end, you can find a practical ‘legislation’ to do list and a reading list for those of you who want to dig even deeper into the topic.

Happy reading!

Pascal Struyve,
President BATM



First things first

— a glossary

Legislation and payment solutions can be a difficult topic to tackle. So it's important to make sure we speak the same language. A few definitions!:

PARTICIPANTS

Every credit card transaction is the result of a series of interactions among several participants.

- **Cardholder.** Cardholder is an authorized user of a credit or debit card.
- **Card issuer.** Card issuers are financial institutions which issue payment cards and contracts with the cardholders for the terms of the repayment of transactions.
- **Acquiring bank.** Acquiring banks (also called acquirers, processing banks or merchant banks) are financial institutions that have contracts with merchants to enable them to accept debit and credit card payments for their products and services. They can also, and that is the case most of the time, contract with third parties to provide some of these services.
- **Payment processor.** The Payment processor is an organization that has a contract with an acquiring bank to provide merchants with card payment processing services on behalf of the acquirer.
- **Merchant.** The Merchant is a business or a non-profit organization that has contracted with an acquiring bank or a merchant processor to accept card payments.
- **Credit Card Associations/Networks.** Credit Card Associations/Networks (e.g. Visa, MasterCard, etc., etc.) are member-owned associations of banks that govern the issuing of cards and the acquiring of card transactions. These associations have developed payment systems to facilitate the processing of transactions between member banks.
- **Service provider.** A service provider can be any third party that provides a service used in the card payment transaction process: point-of-sale (POS) terminals, payment gateways, web hosting, SSL certificates, shopping carts, etc.

TRANSACTION PROCESSING STAGES

The processing of card payments may vary depending on the particular procedures employed by the issuer, acquirer or merchant but they all involve the following stages:

- **Authorization.** Authorization is the process by which the card issuer approves or declines a card transaction.

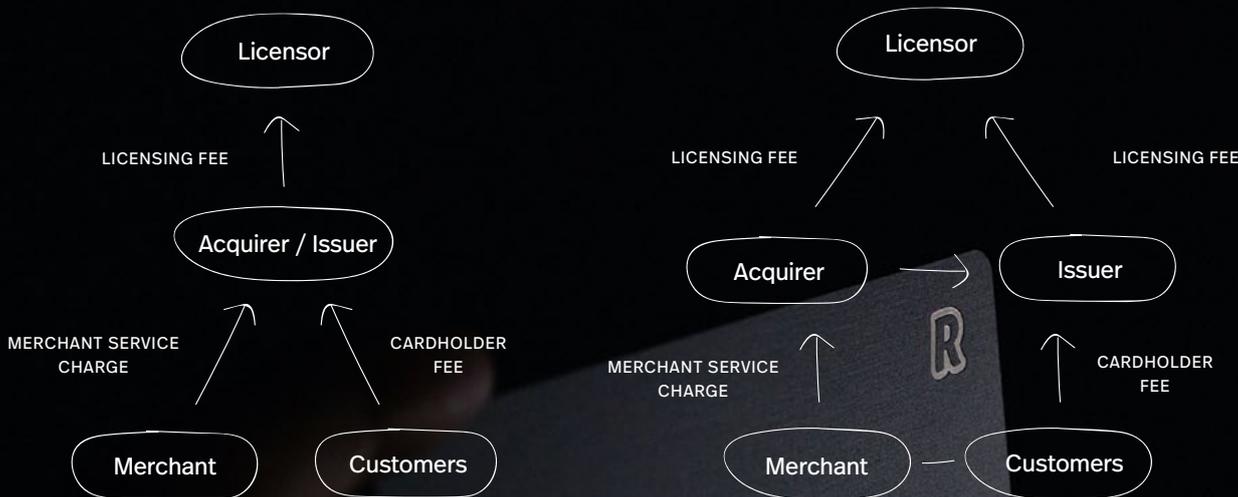
- **Authentication.** Authentication is the process of establishing the validity of the credit or debit card account information provided by the customer. Authentication is done by utilizing various fraud prevention tools, including Address Verification Service (AVS) and Card Security Codes (CVV2, CVC 2 and CID).
- **Clearing.** Clearing is a process through which a card issuer exchanges transaction information with a processing bank. Clearing and settlement occur simultaneously.
- **Capture.** Capture is the process of collecting and organizing information of credit and debit card transactions for submission for settlement.
- **Settlement.** Settlement is a process through which a card issuing bank exchanges funds with a processing bank to complete a cleared transaction.

PAYMENT CARD INDUSTRY

The payment card industry (PCI) consists of the debit, credit, prepaid, e-purse/e-wallet, ATM, and POS cards and associated businesses.

THREE AND FOUR PARTY CARD SCHEMES

Card schemes come in two main varieties - a three-party scheme (or closed scheme) or a four-party scheme (or open scheme)².



— EU legislation's impact on the payment landscape

The second EU Payment Services Directive, known as PSD2, is part of a global trend in bank regulations towards more security, innovation and market competition. The new regulation is a true game-changer as third-party providers are given access to customers' bank account details to increase competition, which were formerly only accessible to banks themselves. Furthermore, PSD2 also leaves its mark on payment processes, making it more favorable for customers. As a consequence, businesses operating in the travel and payment industry were squeezed, as they were banned from profiting from surcharging on credit card transactions and interchange fees were capped.

Tommy Vandepitte, Data Protection Officer at AirPlus, explained us more about the EU legislation's impact on the business travel's payment landscape, referring to the main questions travel managers may have.



QUESTION 1: WILL 2019 REGULATION IMPACT PRICING OF CARD PAYMENTS?

Yes, 2019 EU regulation will likely impact pricing of card payments as a new distinction is now made between commercial cards and consumer/non-commercial cards in the back-end of the payments. A commercial card is used exclusively for business purposes and charged to the person it is issued to, while non-commercial cards concern everything else.

The new legislation makes the commercial cards bound by an interchange fee of 0,20% (for debit cards) and 0,30% for non-commercial cards. This impacts the payment industry, resulting in profit loss and ultimately limiting the offer of 'free' cards by financial institutions.

The European Commission is expected to present a report to the European Union, which should include an assessment of which cards are considered commercial and which are non-commercial. A recommendation will probably be made to eliminate the distinction between the two types, resulting in higher card fees for what are now considered commercial cards.

QUESTION 2: ARE SURCHARGES ALLOWED OR NOT?

In Belgium, the legislation prohibits surcharges because it is considered too complex to make the distinction between commercial and non-commercial.

Other countries however implemented the basic European regulation: commercial cards can be surcharged, but the surcharge should be limited to the actual cost. Non-commercial cards can't be surcharged. Reasoning behind this rule is that the benefit of capping interchange fees was supposed to go to the merchant. The legislator hoped to see a trend towards lower prices within the sector but this did not happen because of too much complexity.

Good to keep in mind:

- Payment in Belgium: no surcharge
- Payment with commercial card abroad: cost of 2 to 3% max.

QUESTION 3: WHAT IS IT I HEAR ABOUT A UBO REGISTER?

UBO stands for “Ultimate Beneficial Owner”. The register is implemented to prevent the use of the financial system for the purposes of money laundering or terrorist financing and to limit the use of cash. The UBO register will be used in every country, and is ready to be fully implemented in Belgium. The boards of directors of all corporations in Europe have the duty to execute it by the end of March 2019. (Note: in the meantime, the deadline has been moved to end of September.)

Tip: check the [website](#) of our federal government, UBO duties are well explained there.

QUESTION 4: DO I NEED A “DATA PROCESSING AGREEMENT” WITH MY PAYMENT SERVICE PROVIDER?

It may come as a surprise to some, but the answer is “no”.

The purposes for which data are processed by travel managers and payment service providers are different, so they don’t need to have an agreement. They should be compliant with their legislation however, but if that’s the case, they are covered.

QUESTION 5: DO I NEED A “DATA PROCESSING AGREEMENT” WITH THE PROVIDER OF MY EXPENSE MANAGEMENT TOOL?

Opposed to the previous question, here the answer is “yes”. An expense management tool provides a company/travel manager with a service. According to Article 28, paragraph 3 of the GDPR legislation, this is a ‘controller-to-processor’ relationship and an agreement is required.

QUESTION 6: IS VIRTUAL CURRENCY THE NEXT BIG THING FOR GLOBAL PAYMENT?

In short: perhaps, but it is unlikely it will be that in the front end in the near future.

SURVEY RESULTS

During our event on payment solutions, we asked the 110 attendees to complete a survey on the topic. In short, the survey learned us that:

- The new EU regulations have a limited impact on existing Corporate Credit Card programs
- The adoption of virtual cards is on the rise
- The Mobile Wallet is being considered as a travel payment solution, but won’t be implemented immediately
- T&E Management Systems, integrated into Corporate Credit Card Programs, are not yet a reality for most of the respondents

A complete overview of the survey results can be found [here](#).

— Business travel payments: an industry perspective



Mario Kriebel, Vice President Commercial Payment Solutions at BCD Travel, took us on a trip through the changing and increasingly complex payment solutions landscape.

1. PAYMENT IS GETTING COMPLEX

The good old days of simple payments, with bank notes, bank transfers or - very modern once - credit cards, are long gone. Today, we use our phone, watch or other wearable to pay through providers that aren't financial institutions, like Apple, Google, WeChat or Alibaba. Blockchain is said to change the world of payments forever, and while we're waiting for that, virtual payments and changes in legislation are keeping us, well, entertained.

2. VIRTUAL CARDS

Virtual cards were launched ten years ago, but are really taking off by now. TRX numbers double each year, which is probably a consequence of the PSD regulations. The process is getting better every day (moving from fax to secure e-mail for instance), which allows for virtual cards to soon make the move from 'for hotel payments only' to usage for car rentals, air tickets, etc.

The downside for now: third-party acceptance can remain a challenge, as well as the invoice collection and correction.

3. MERCHANT FEES AFTER PSD

The PSD regulation made consumer card fees go down, but commercial card fees aren't regulated and have another fee structure and cost repartition. Costs for commercial cards haven't decreased, but have merely been shifted and passed on to the customer. Credit card providers that used to be the cheapest might just so have become the most expensive ones, and the other way around.

Not many merchants are looking into this, which might impact travel managers' programs.



4. STRONGER CUSTOMER AUTHENTICATION

According to the European Central Bank, SCA is:

“a procedure based on the use of two or more of the following elements—categorised as knowledge, ownership and inherence:

- (i) something only the user knows, e.g. static password, code, personal identification number;
- (ii) something only the user possesses, e.g. token, smart card, mobile phone;
- (iii) something the user is, e.g. biometric characteristic, such as a fingerprint.

In addition, the elements selected must be mutually independent, i.e. the breach of one does not compromise the other(s). At least one of the elements should be non-reusable and non-replicable (except for inherence), and not capable of being surreptitiously stolen via the Internet. The strong authentication procedure should be designed in such a way as to protect the confidentiality of the authentication data.”

While SCA clearly offers a lot of advantages, it creates some challenges within our industry, especially for corporate and consumer cards. Merchant initiated payments, White listing, bookings by a TMC, hotel pre-authorizations, etc. all don't work when applying SCA.

5. CROSS-BORDER TRANSACTIONS

Due to cost-saving and consolidation, we see more and more corporate clients serviced via Multinational Service Centers. For Corporate cards, there's no issue with this. For Lodge cards with enhanced data however:

- the card needs to be used in the markets where the data is issued
- the card issuer needs to know where the card will be used
- wrong setup -> no enhanced data

Travel managers should discuss any consolidation with their card issuer and TMC to opt for the right setup.

Conclusion: exciting times ahead!

Checklist

— How to deal with all this legislation?



1. UBO REGISTER

- Ready to be fully implemented in Belgium.
- Deadline for registration: September 2019.
- Check the [UBO Register manual](#) - by FOD Financiën/SPF Finances, to get an overview of all UBO duties.



2. GDPR

- New legislation since 25 May 2018.
- Check if you have a “data processing agreement” in place with the provider of your expense management tool.
- More info on how to comply: gegevensbeschermingsautoriteit.be (NL) or autoriteprotectiondonnees.be.



3. PSD2

- Survey result: because of high adoption of corporate billing processes, PSD2 does not have that much of an influence on payment policies.
- But in general, costs have gone up due to new legislation.
- [Now is the time to investigate alternative payment methods like virtual cards or mobile wallets.](#)



4. SHARE YOUR EXPERIENCES

- Talk to colleagues about how you handle these changes in legislation. They're likely to share their knowledge as well.
- Talk to BATM board members. They can put you in touch with the right people.

READING LIST

Did you miss our event or do you want to know more about these topics? These are a couple of our pre-approved reading suggestions:

1. [How will new payment law affect travel buyers?](#) - by Business Travel IQ

- Comprehensive webinar
- Listening time: approx. 1 hour

2. [EU Payment Services Directive](#) - by the European Commission

- All the legal background provided by Europe
- Reading time - n/a

3. [PSD2 tracker](#) - by PYMNTS

- PYMNTS PSD2 tracker provides monthly updates on the trends and changes regarding PSD2, and other privacy and data protection regulations.
- Reading time per issue - 1 hour

4. [UBO Register manual](#) - by FOD Financiën/SPF Finances

- The official manual for companies, issued by the government
- Reading time - 1 hour

5. [The future of corporate card payments](#) - by AirPlus

- Whitepaper analyzing future possibilities
- Reading time - 45 mins

6. [What's your payment IQ?](#) - by BCD Travel

- Blog article offering a recap of trending topics & terminology

