



## giropay Acceptance

### As easy, quick and secure as online banking

With giropay Deutsche Card Services offers an up-to-date online payment method for German customers which combines immediate order processing and the security and wide reach of online banking. giropay is based on the PIN/TAN procedure used in online banking. It meets the highest security requirements and offers clear advantages to merchants: payments cannot be revoked and merchants enjoy a payment guarantee for up to EUR 10,000. The immediate payment confirmation permits merchants to deliver the goods directly and without risk.

#### Background

Not all German online shoppers are credit card holders, and the popular debit card girocard (the former Eurocheque or EC card) was not designed for online use.

Direct debiting and invoicing harbour considerable risks of nonpayment and entail cost and labour-intensive procedures such as payment monitoring, dunning and debt collection. Prepayment is unpopular with customers and has procedural disadvantages such as long processing times and account monitoring. Cash on delivery (COD) results in logistics risks and liquidity disadvantages for merchants.

New payment methods offered by third-party providers are only suitable for certain market segments and have not gained major market shares.



#### Market development

The online payment method giropay was introduced in 2006 as a joint project of the German banking industry by Postbank, Sparkassen, Volks- and Raiffeisenbanken. It is based on the well-known PIN/TAN procedure used in online banking. Like the schemes of leading credit card organisations, giropay does not link up merchants or customers themselves, but uses a fourparty model: consumers, merchants, issuers and acquirers.

By now, the system has been implemented by more than 1,000 well-known merchants, such as Quelle, Dell, Deichmann or KLM, so on average every 10 seconds a giropay transaction with an average volume of EUR 60 is made today.

giropay is supported by more than 80% of German online accounts at the moment, including almost all Sparkasse, Postbank, Volks- and Raiffeisenbank accounts and accounts at other banks. In 2008 the transaction volume rose by more than 60% and the sales volume by 80%.

The steady increase in the number of acceptance points and the information and marketing policies of the participating banks boost the potential.

Outside Germany there are similar systems, for example iDEAL (NL), eps (AT), NetBanka (CZ), eDancard (DK), Interac (CA) or solo (FI).

#### How it works

1. Customers select giropay as payment method in the online shop and enter their account number and bank code.
2. The merchant initialises the payment procedure via the Deutsche Card Services platform.
3. Via the merchant, Deutsche Card Services transmits a redirect-URL of the customer bank to the customers.
4. Customers use their PIN to log in to a template of their bank which is already

completed with their account details.

5. Customers use a valid TAN to confirm their bank's transfer slip already completed with their payment details.
6. The bank transmits the payment status and payment guarantee to the merchant via Deutsche Card Services.
7. The merchant confirms the payment and the delivery to the customers.
8. The customer bank transfers the invoiced amount directly to the merchant's account, usually within three working days.

#### Advantages for customers

- High user acceptance because giropay is a payment method developed by banks.
- No involvement of third parties. The payment is processed directly and exclusively between customers and their banks.
- giropay settlements are largely similar to the well-known online banking procedures.
- giropay uses the high security standards of PIN/TAN online banking.
- No customer registration necessary.
- No media discontinuity, direct initialisation from the online shop.
- Highest possible transparency on the account statements.

#### Advantages for merchants

- High penetration of the German market.
- No processing interruptions, immediate payment confirmation to merchants.
- Payment guarantee of up to EUR 10,000 per transaction.



- High liquidity thanks to quick receipt of the payment, usually within 3 working days.
- No entry mistakes because templates are already completed in advance.
- Customers cannot unilaterally cancel their payment.
- Crossmarketing opportunities via giropay and participating banks.

#### Target groups

In principle, the target group consists of all online merchants who want to appeal to German customers. giropay is particularly attractive for merchants which

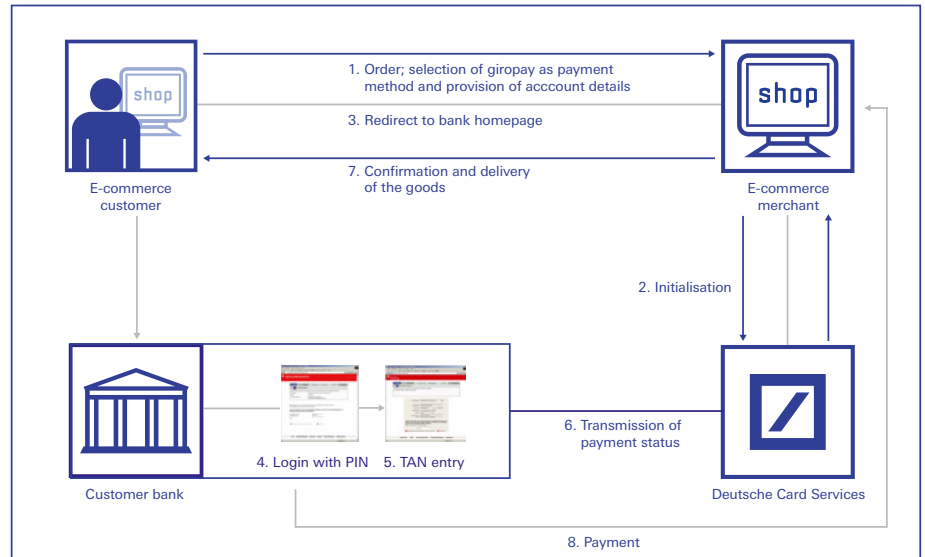
- want to appeal to consumers who do not hold a credit card (e.g. teenagers, customers with no regular income) or
- want to prevent customers from easily cancelling payments (e.g. travel or download sector).

#### Supplementary products

In addition to a broad range of other payment methods and fraud protection measures, Deutsche Card Services, as a full-service provider, offers additional services which ideally supplement giropay acceptance:

- Receivables management monitors actual payment receipts and permits accounting in line with individual requirements.
- Direct Debit Services permits to collect direct debits from accounts which do not support giropay in Germany, Austria and the Netherlands, but also enables an easy settlement of returns, which currently is not offered by giropay directly.

#### The giropay acceptance process



#### Reasons to decide in favour of giropay acceptance

- High security thanks to two-step PIN/TAN procedure (fraudsters cannot even log in).
- Direct communication between customers and bank, no involvement of third parties.
- Pre-completed templates prevent entry mistakes.
- Immediate payment confirmation and quick and secure payment receipt.
- No risk of non-payment thanks to payment guarantee of up to EUR 10,000 per transaction.
- Online payment method without credit card use.
- High market penetration, covers more than 80% of all German online accounts.
- Risks lower than for credit cards, direct debits and invoicing; quicker than pre-payment.

#### Reasons to choose Deutsche Card Services

- The Deutsche Card Services platform has been leading since the market introduction of giropay in 2006 and currently processes more than one-quarter of the total giropay transaction volume for more than one-third of all giropay merchants.
- Deutsche Card Services is the only acquirer which can process credits via the electronic direct debit procedure (not yet possible via giropay).
- All leading online payment methods and additional services such as the complete integration into central online reporting from one competent provider.
- Easy implementation via well-established interfaces and procedures.

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