

Opportunity Analysis

“Payment Facilitator” (PF) is a hot term currently being used to describe many business models. While there is no such thing as a typical Payment Facilitator, all can be “boiled down” to the idea that a Provider (software provider, ISV, community platform, SAAS environment) will incorporate payments and sub-merchant settlement into their solution. ProPay’s history as a payment facilitator, when combined with our sponsoring relationships and technologies enable us to uniquely serve this quickly increasing segment of the payment processing space. ProPay allows these Providers to operate under the ProPay PF license with ProPay’s sponsor bank, while utilizing the capabilities of the ProPay platform to provide a robust payment processing experience. The flexibility of ProPay’s offering allows Providers to quickly enable payments, take advantage of our automatic boarding tools, establish risk management parameters, perform settlement and ultimately bill and collect from the sub-merchants.

Identifying whether ProPay is the right fit for your opportunity can typically be identified by answering the following questions. Any single one, or a combination thereof indicates that ProPay might be the right fit for your opportunity.

1. Does the Provider require a short-form merchant application that allows their customers to fill out a single application that includes their services as well as bankcard processing services? The short form merchant application is perhaps one of the most unique elements of operating as a payment facilitator and is often a key consideration when Providers wish to operate as a PF. ProPay supports a short form merchant application and can further support embedding terms and conditions into the agreement between the Provider and sub-merchant.
2. Is your client seeking to capture convenience fees or their service charges as part of the original transaction, therefore enabling immediate collection of the funds they are due from the sub-merchant? As a PF, ProPay allows splitting of the transaction into the sub-merchant account and the PF account by use of a SplitPay transaction, therefore streamlining the collection and servicing of the sub-merchant account. Many traditional merchant processing relationships will not allow for the splitting of settlement between accounts and ProPay’s ability to offer this to Providers is a key advantage of the ProPay offering.
3. Is your client expressing a need to begin processing transactions immediately upon submitting an application? With a minimal amount of information, ProPay can provide an MID and authorization capabilities to the client in a matter of seconds. This is ideal in SAAS environments or environments where the client is downloading an app to their iPad or tablet based POS.
4. Is the client processing with Stripe, WePay or Braintree and seeking to either register and brand themselves as a PF or are they interested in better pricing and service than can be found with these providers? ProPay competes head on with these providers

and much of the functionality these competitors offer can be accommodated by ProPay.

Limitations

Just as it is important to understand how ProPay can be of benefit, it is also necessary to maintain knowledge of where ProPay is not a fit. While ProPay does process for MLM and Direct Selling companies, ProPay is not a high-risk merchant processor, a complete list of prohibited merchant types is available at: <https://www.propay.com/legal-agreements/high-risk-acceptable-use-policy/>

- ProPay does not support PIN debit transactions and this is not currently on the development schedule.
- EMV general availability is targeted for late Q3 2017
- ProPay does not provide a “white label” experience for sub-merchants. Meaning, the software provider typically provides the front end processing and reporting interface to the sub-merchant, with ProPay serving behind the scenes. ProPay does work with referral partners whereby they are comfortable in allowing the sub-merchants logging in and utilizing the ProPay platform for service and support.
- ProPay does not provide sub-merchants with traditional merchant statements. These are produced by the software provider as part of their consolidated service offering.
- ProPay does not support Level 3 card data processing.
- Traditional 3 or 4 tier transaction pricing to sub-merchants is not an option in the ProPay system. ProPay excels with straight swiped or non-swiped discount rates and can accommodate cost plus pricing for larger merchant opportunities.
- If the provider wants to receive all of the processing funds and then pay their merchants, this is not available in the ProPay model. ProPay must perform the settlement to the sub-merchants.
- ProPay’s PF model only works when transactions are authorized and cleared from the ProPay platform. If the provider is already certified to process directly on the Trans First platform or TSYS platform, they will need to integrate to the ProPay platform for processing.
- Mobile wallet providers frequently fall into the realm of a money transmitter. Since ProPay does not maintain a money transmitter license, care should be taken to ensure the wallet is used for in app purchases or for purchasing actual goods and services, as opposed to functioning in a peer to peer environment. If the Provider indicates they want to do the same thing as PayPal, XOOM or Venmo, ProPay is not the right fit.

How ProPay products help the facilitator

Once you have a clear understanding of the PF’s needs you can begin to define what products they will utilize and how those products support their business model. Products a PF could utilize:

- **Instant Boarding** – ProPay provides a mechanism that allows for the immediate boarding and enablement of transaction processing for the sub-merchants. No matter the method, there is some level of integration required for the PF to begin transaction processing. PF's have three options available for boarding sub-merchants on the ProPay platform.
 - Co-branded landing pages can be created for PF's that simply want to integrate to ProPay for processing, but not host or manage the T&C's or engage in the delivery of data to ProPay. When this program is implemented there is a confirmation of accounts boarded that is returned to the PF to enter into their system for immediate processing.
 - PF hosted boarding processes can be implemented upon approval from the risk department. In this environment the PF builds and maintains a web page that allows the sub-merchant to complete a web form containing the information required by ProPay for boarding and underwriting. This allows the PF to create a single application that includes their services as well as the T&C's from ProPay. The PF must also provide a process that allows a "click to agree" and associated tracking that meets the federal e-Sign act.
 - The last option allows for full-liability and registered PF's to not only create the page, but replace the card processing T&C's with those approved by ProPay's sponsor. Additionally, in this model, if the PF has processes approved by ProPay, they may perform the KYC and other checks involved in the underwriting process.
- **Transaction Processing** – ProPay can process transaction submitted via a web-site, mobile application, or from one of ProPay's swipe devices. These transactions can be submitted through one of two methods:
 - ProtectPay – This is ProPay's tokenization and encryption service that will allow a merchant to accept payment transactions without ever touching the sensitive card data.
 - Direct – For a merchant who has validated PCI Compliance and is not looking for the added security of a tokenization service, the merchant can pass us the payment information directly.
- **SplitPay** – ProPay provides PF's with the ability to split a portion of the transaction to settle into two different accounts. It should be noted, that the sub-merchant ProPay account utilized authorization and settlement is the same account which discount and transactional fees are debited.
- **Spendback** – A feature available on the ProPay platform that allows for the processing of off network transactions with a corporate entity. Primarily used in the direct selling industry to allow distributors to purchase from corporate using funds in the ProPay account, this can also be utilized in a buyer's club environment, or platforms selling to and servicing a wide variety of constituents.
- **EnsureBill** – ProPay's account updater service that supports Visa, MasterCard and Discover card programs. This can be automatically enabled when using ProtectPay, or ProPay can accept full card data from the PF.
- **Guardian Cyber Shield** – An advanced fraud analytics tool that incorporated everything from device IDs to IP addresses and

velocity data to customized data and rule creation, designed to assist in card not present fraud. This service requires an iframe to be embedded on the merchant's web-site and well as specific data elements passed along with the transaction for fraud scoring.

- **Flexible Settlement** – Initiation of deposits to the sub-merchants can be performed automatically by ProPay or through instruction based messaging from the PF. In the ProPay environment, the process of moving money to the sub-merchant or PF is referred to as the sweep process.
- **Reporting** – ProPay can provide reporting to the PF daily via FTP file drops, but does not currently provide a portal for sub-merchant account management.



For more information on how the flexible services of the ProPay Payment Network can help your organization reach its objectives, please call 1-888-227-9856 or visit www.propay.com.