Selecting a Programme Manager

Date: October 2012

Background/Introduction

- The fist thing to do is define what we mean by a programme manager

- One formal definition given is:

The entity responsible for day-to-day operations in support of a Prepaid Card Program such as back-office support, interfacing with processor systems to ensure accurate account setup, individual card account maintenance, balancing and reconciling, chargeback and dispute resolution, lost and stolen card reporting, fraud reporting, customer service and any other management of the program

- But what does that really mean in simple English

- Think of them as the conductor, and you are the audience, the job of the conductor is to ensure all the elements of the band come together to play in harmony enabling you to enjoy the dance

- The Program Manger is simply the entity that manages all aspects of the prepaid card programme generally leaving you free to concentrate on the sales and marketing of it.

- You will know what you want to launch and now want a partner to manage all of the elements for you

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What is a Programme Manager

- In recent years the definition of what a programme manager is has become increasingly blurred

- There are now Processor + / Prepaid Solution Providers that whilst not offering programme management in effect offer many of the elements in a prepaid solution
    - They are generally processors that have continued to augment their service offering

- MasterCard has a registration process: MSO ISP/TPP that clearly defines a programme manager as a body that has direct interaction with clients – even if through a sub contracted call centre

- Visa Inc. has a lighter registration process with no fees to pay

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The Prepaid Card Issuing Structure

- There are three key roles within the prepaid card structure each with their own responsibilities plus the programme manager.

The Programme Manager

- Co-ordinates and controls the different entities and disciplines providing an end-to-end solution for the end client
- Acts as an aggregator
- Brings experience and knowledge to the solution and frequently relationships with the third party brands.

Bin Sponsor / Funds Deposit Holder

- Provides the access to the network and regulatory compliance
- Has full financial and compliance obligations and is responsible for submission and approval of the programmes through card associations
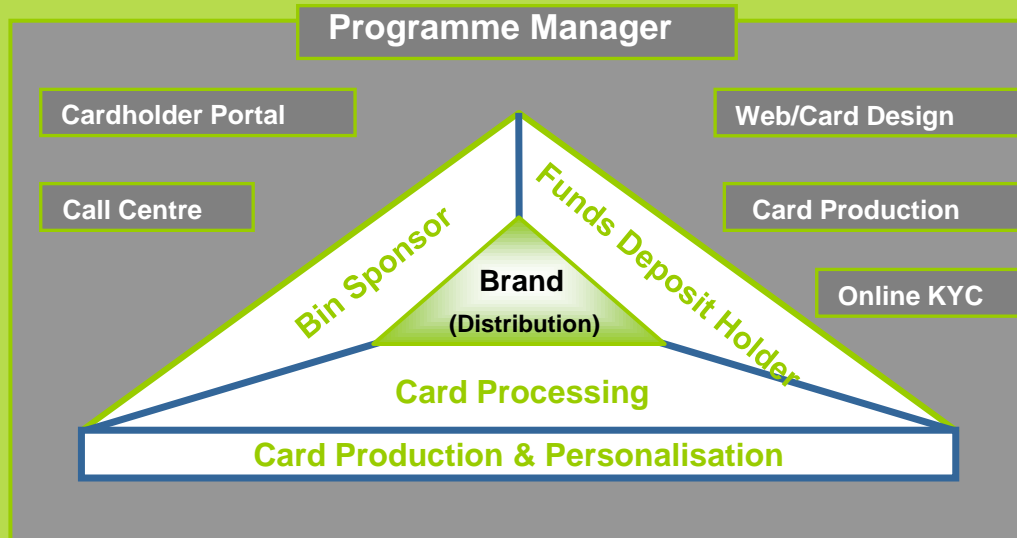
Card Processor

- Holds the virtual balance and processes the card payments
- Provides connection to the payment network.

Programme Manager

Cardholder Portal

Call Centre

Web/Card Design

Card Production

Online KYC

Bin Sponsor

Funds Deposit Holder

Brand
(Distribution)

Card Processing

Card Production & Personalisation

Card Production & Personalisation

- The networks do have strict rules regarding card production in order to ensure security and minimise fraud opportunity. These rules cover all production and distribution elements of the process.

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Core Responsibilities

- There are a number of key responsibilities that each of the programme components have jurisdiction over:

Issuer
- Compliance with Network Standards
- Ultimate Regulatory and Financial Responsibility for Customer Service, Operations, Risk & Fraud Management
- Scheme Settlement & Reporting
- Approve Program Design
- Cardholder Agreement & Disclosures
- Securing the BIN
- Sign off and Approval of Network Paperwork
- Securing MasterCard Approval repeat of above
- Register MSPs, ISO's and TPP's, dependent on scheme
- Cross-selling to Issuer Customers
- Reconciliation

Payment Scheme
- Franchise Development & Brand Standards Reviews and Approvals
- Programme Review and Approval
- Card Approvals
- ICBIN Setup and Configuration
- Risk Management Reviews
- Approve Vendor Registrations
- Generic Marketing Material Templates for specific segments

Processor
- Prepaid Platform
- Packaged Solution System
- System of Record for Accounts
- Issuer Side Auth, Clearing, and Settlement Processing
- Processor Reporting to Issuer

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Why Use a Programme Manager

- Programme managers offer many advantages compared to doing it yourself/becoming your own programme manager – see Separate White Paper 'Becoming a Programme Manager' which outlines in detail the roles and responsibilities of a Programme Manager

Speed to Market

- A PM will have existing contracts in place with both BIN Sponsors and Processors as well as arrangements for many areas such as call centre, loading channels etc.
- Overall this means that in most cases you can get a programme live in 4 – 6 months as opposed to 6 – 9 months if starting from scratch

Set up/On-Going Costs

- PM's are aggregators and an advantage in aggregating is that set up and on going monthly minimum costs are likely to be lower through a PM than when set up independently

Connections

- Many PM's will have in place a range of other services such as load channels, contact centres etc that can all be quickly and easily implemented as part of the programme set up.

Expertise

- A key aspect that a PM brings to the table is the experience of having 'done it before'

Selecting a Programme Manager

- There are many different programme managers available to choose from and selecting the right one can sometimes seem daunting

- The key is to apply a 'filter process' that allows you to get from the many to a few to RFP/Have a dialogue with

- Just like with cars, almost all with get you from A – B, but some are sports cars, some are off road etc there are different attributes that define the programme managers

- There are five main attributes we need to consider when filtering the 'many' options to the few to RFP/Dialogue with. The following are the main attributes/areas that need to be considered:

1   BIN Sponsor / Processor Combination
- Programme managers work with different processor/BIN sponsor combinations
- The capabilities between different processors may differ and depending on the type of programme you wish to launch certain processors may be better suited to your requirements
- With BIN Sponsoring although the capabilities are not relevant each BIN sponsor will have their own interpretation and policies in relation to compliance and risk exposure. This may affect how a programme can be operated and even the types of programmes they are willing to BIN sponsor
- The BIN sponsors a PM uses will also affect whether they offer MasterCard, Visa or both as options to you

Selecting a Programme Manager

2   Programme Manager Experience/Capabilities

- PM's often concentrate on a few areas of prepaid cards. These could be for example corporate, incentive or gift or others; but the key is to identify PM's that you believe have relevant experience to your requirements

- Aligned to the experience is likely to be their capabilities. Whilst much of the capabilities will rely on the processor many PMs have developed their own proprietary 'Middleware' to provide extra functionality / improved customer experience

- Also aligned to capabilities are what their other 'value add' elements are. Different elements around loading, customer service, mobile for example may have been developed by the PM as part of their offering

- Part of this may also include what country/currency BIN's they have set up

3   Role in the Value Chain

- Some PM's remain purely as PM's, however others have sought to add BIN Sponsorship and/or processing to their in-house offering

- Those that have will often argue it leads to greater economies, stronger controls, deep relationships with the schemes as they deal directly with them. Key for you to understand though is if this is important and material in relation to what you are trying to launch

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# Selecting a Programme Manager

4   Financial Structure

- Some PM's are VC or privately funded whilst others are part of large corporate groups. This will affect their culture to some extent and thus whether it fits with yours. Over and above that though is that we have seen several PMs go out of business, thus there is always a requirement to ensure that the business will be around for the foreseeable future.

5   Management Team

- Sometimes the hardest aspect to judge, but also probably the most important is around the Management Team. Do they have both the expertise to support you in your plans now and in the future but do you feel you can work with them on a long term basis.

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Overall

- **People buy People not Paper**

- It is therefore paramount that in addition to the 'hard' reasons for selecting the PM that there is also a 'culture fit' and that it is an organisation you feel you can work with in the years ahead
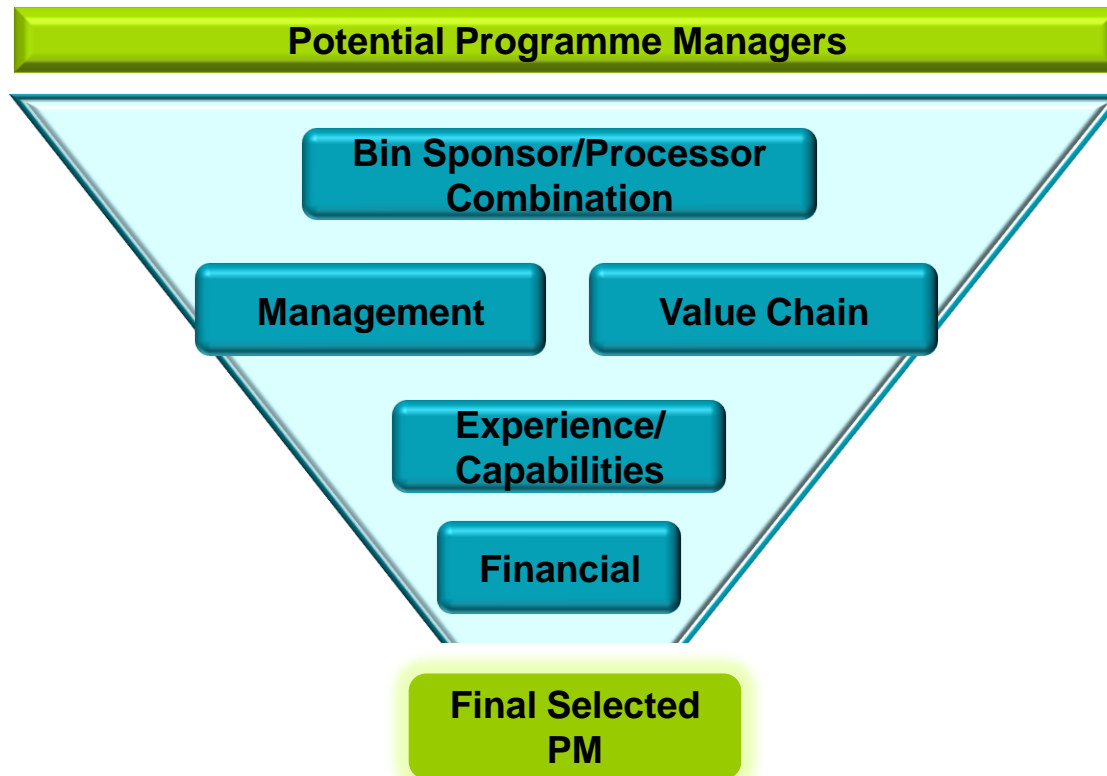
How Can Polymath Assist You

- We can uniquely accelerate your time to market
- Once the 'Gaps' are identified Polymath can further outline where it can assist but some examples of possible support could include:
- Running a full RFP process/structuring a dialogue process for you
- Working with you to develop your filter criteria and applying it to our extensive list of PM's
  - We also uniquely track who work with who in relation what schemes, processors and BIN sponsors
- There are also often PMs working with Processors and BIN sponsors not in the public domain, we often know of these and thus can advise on other options.
- Supporting you through the Commercial and Contract negotiations
- Helping you identify which processors have the right capabilities for you, even working out what capabilities you need

Source: Polymath Consulting Analysis June 2012

Correct at time of publication based on publically known data.

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