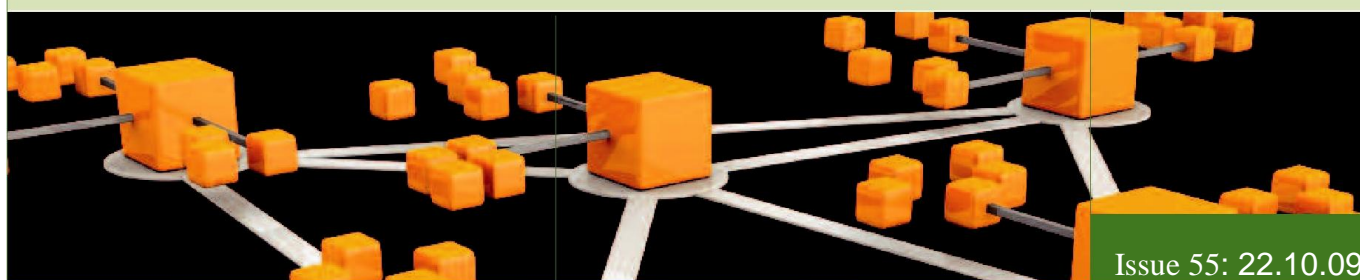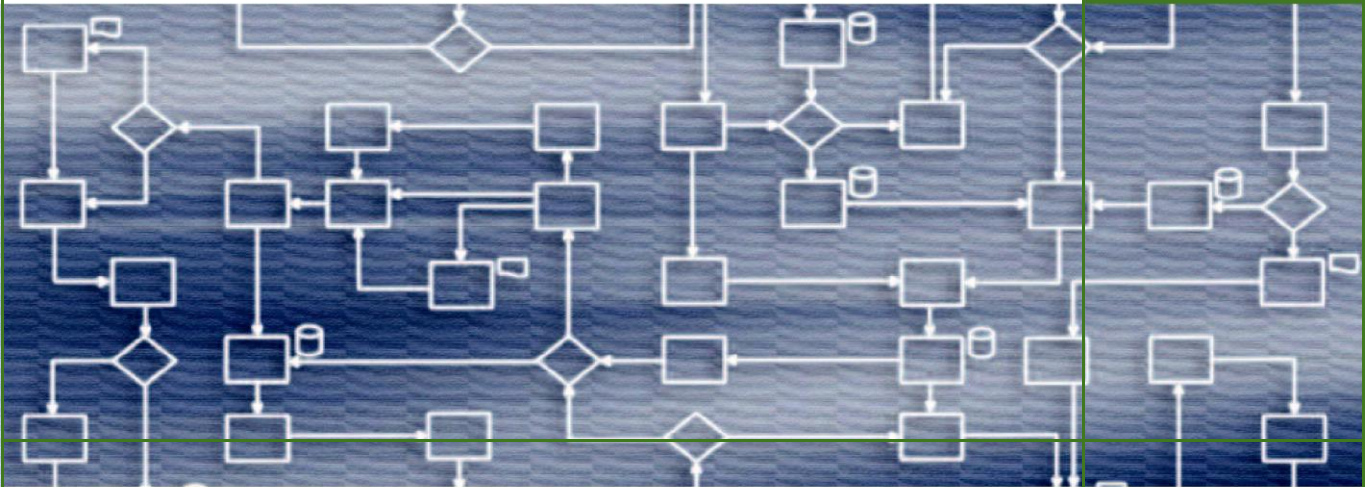Independent Intelligence from the World of Prepaid

Market Report

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Programme Management in the UK

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Programme Management is a key role in the process of launching and managing a prepaid card programme, as it is essentially what keeps the programme running efficiently and effectively. Programme Management can either be provided internally or out-sourced.

While a wide range of organisations have a programme management role, the specific functions they carry out will vary based on the organisation's capabilities and restrictions, which can lead to confusion.

In this issue of iQ, we will take a look at programme management and clarify how it relates to the other roles involved in launching and running a prepaid card programme. We will also distinguish between different types of programme managers in the UK by their varying responsibilities in relation to the delivery of prepaid card programmes.

BIN Sponsorship, Funds Holding and the Transaction Processing are three services which form a part of Programme Management, but aren't necessarily provided by a Programme Manager. These are key functions for a prepaid programme to be able to work and comply with the necessary regulations.

BIN Sponsor
In the UK, the BIN Sponsor originally had to be an FSA regulated bank and a member of MasterCard or VISA. In recent years, institutions other than banks that hold E-Money licenses have been able to become members and thus offer BIN sponsorship services. As a BIN sponsor, the organisation is responsible for providing access to the VISA or MasterCard network and for FSA or other regulatory compliance. They are also responsible for the submission, approval and compliance of any of their programmes through the network.

The BIN sponsor is also responsible, although not necessarily the one who carries it out, for Risk and Fraud Management, which is why this role traditionally belonged to banks, as many already had systems in place and experience with fraud management. Additionally responsibilities of the BIB sponsor include approval of all marketing materials that are sent out. This is an important responsibility and one which can cause challenges over requirements of a marketing team to convey key messages and the need to ensure all materials are acceptable to the BIN sponsors compliance team.

Transaction Processor
The BIN Sponsor is required to partner with an approved and regulated Transaction Processor. The Transaction Processor is essentially the 'manager' of the transactions between the POS and the issuing BIN sponsor. The processor owns the encryption of

the BINs, and is responsible for the architecture of a prepaid programme on its hardware and software capabilities. The Transaction Processor holds the virtual balance of each card on their system and processes the card payment, ensuring that any transaction is actually carried out. The Transaction Processor must have direct integration with the approved and regulated card manufacturer, ensuring that the correct details are embossed, encrypted or printed onto the card as required and that cards or vouchers are correctly identified by all the systems involved. Finally, most communications between the issuer, the POS and the overall Programme Manager is managed by the Transaction Processor and goes through their systems.

Funds Deposit Holder
A further, smaller but highly important player in the value chain is the Funds Deposit Holder, often referred to as a secure client account. This is the financial organisation responsible for 'holding' the funds on the prepaid card. These funds must be held in escrow in a separate account that cannot be used for any other purpose. This organisation must be an FSA deposit taking licensed bank and is sometimes also the BIN Sponsor. When, however, an E-Money licence holder provides the BIN sponsorship, a separate large regulated bank must be used to hold the funds.

Programme Manager
We've overviewed the responsibilities of three key roles in any prepaid programme. So where does the Programme Manager fit in? The Programme Manager acts as an aggregator and coordinator, combining the services of the BIN Sponsor, Transaction Processor and Funds Deposit Holder into an end-to-end solution for the issuer. Essentially, the Programme Manager is the organisation that controls the prepaid programme, integrating it with the issuer's systems and allowing it to be delivered to the end user of the prepaid product.

What has created some confusion among the industry is that the term 'Programme Management' has been used loosely to refer to any of the three types of service provider we mentioned initially without distinguishing between them.

The term 'Programme Manager' originated from MasterCard's requirement for any organisation handling clients directly to take out an ISO MSP (Independent Sales Organisation Mastercard Service Provider) licence. Whilst MasterCard have successfully launched and managed this system, VISA has worked quite differently. Utilising existing relationships with the high street banking network more frequently, the VISA member Banks are also the Programme Managers, although Visa does also work with programme managers. Essentially though, any organisation that manages the integration between the issuer, the BIN Sponsor and the Transaction Sponsor is considered a 'Programme Manager'. A further source of confusion is that, in some banks, all these roles can be internal and handled by product or relationship management teams.

The Programme Manager acts as an aggregator and coordinator, combining the services of the BIN Sponsor, Transaction Processor and Funds Deposit Holder into an end-to-end solution for the issuer.

The Programme Manager will often provide what is known as 'Middleware', a software solution owned and managed by the Programme Manager in order to pool together the data from the Transaction Processor, BIN Sponsor and issuer. This software allows the Programme Manager to provide a reporting suite for the issuing brand, as well as detailed account information in a format that is suitable for the card holders. Often this software will also provide access to a reporting 'portal' type solution for larger corporate organisations.

The Programme Manager will sometimes be responsible for the ongoing management of the entire prepaid programme, although this is often done in partnership with the co-brand/white-label partner if there is one. The activities often include driving traffic and launching marketing campaigns, as well as being responsible for the various aspects of customer service. The Programme Manager will work, alongside the BIN sponsor, with fraud and risk management companies. Additionally, any ancillary services to the issuer brand or end user, such as auditing and regulatory compliance, training of staff and system integration, collaboration with third-parties to provide third party distribution/top up and mobile phone services e.g. SMS-loading and integration with third-party promotions and incentives will

all be managed by the Programme Manager.

In the UK, there are four types of Programme Managers, all of them integrating the whole value chain but with different elements run internally.

Firstly, we have the Programme Managers who only really manage programmes for themselves. These companies issue their own prepaid products. Examples include 3V, Chequepoint, Vincento, UKash, Caxton FX. Secondly, we have pure Programme Managers. These are organisations which combine the required services and manage them for their clients, the issuing brand. Examples include Eagle Prepaid, CredECard, MCube, Tuxedo and Yes Group.

Thirdly, we have Programme Managers with in-house processing. These companies own and run most aspects of their prepaid programme, including the transaction processing, as well as being the issuing brand. Such companies include PPS and FlexEVouchers.

Finally, we have BIN Sponsors who also engage in programme management. These organisations often rely on external Transaction Processors. Examples of this type of setup include APS, JP Morgan Chase, Bank of Ireland and Citi.

Most Programme Managers tend to focus on particular types of prepaid programmes and products. JP Morgan Chase, for example, focuses mainly on providing BIN Sponsorship and Programme Management to government organisations, while an organisation like SVS tends to focus more on closed loop programmes for retailers. There are c.25 open loop Programme Managers in the UK, most of them managing their own Prepaid Programmes either with or without in-house processing. All open loop programmes in the UK are either MasterCard or VISA branded, Amex does not currently offer prepaid products in the UK. Closed loop programmes are operated mainly for retailers where a prepaid solution that can only be used within a certain brand is preferable. Only a few Programme Managers, such as PPS, offer both open and closed loop solutions.

In the UK, there are four types of Programme Managers, all of them integrating the whole value chain but with different elements run internally.

Section 02 Programme Management in the UK

Programme Management fulfils a vital role in any prepaid programme. However, as prepaid becomes more widespread, we are likely to see more Programme Managers bringing the different roles of Programme Management into their own capabilities and enabling them to offer a full range of necessary services for a prepaid programme – partly to enable them to reduce costs and generate more profits for themselves. Companies such as PPS are already able to provide the full complement of services themselves, while others such as G-T-P have aggregated a number of the functions within a single organisation. GTP has obtained an E-money License and, with this, MasterCard and VISA Membership enabling them to also offer BIN sponsorship.

For more information on which Programme Managers operate in the UK and how they can help you with your prepaid programme, contact Lexy and she will be happy to get you in touch with our members.

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