



Internet Payment via "Online Bank Transfer"

"Online Bank Transfers" are becoming more important for internet-trade. This payment technique is available throughout Europe, among other countries in Germany (Giro pay, Sofortüberweisung), Austria (eps, Sofortüberweisung), Switzerland (Sofortüberweisung), the Netherlands (Ideal); Spain (ePagado), and Poland (Przelewy24).



Advantages of Online Bank Transfers

Rapid payment

The merchant is informed of a successful payment the second it is concluded, and can immediately send the goods or grant access.

Secure payment method

Only banks and other reliable firms, which are validated by an external government authority (in Germany, the TÜV), can offer online bank transfer services.

No payment reversals

100% security of payment. An online bank transfer can not be reversed..

Widely available

Some 99% of all customers with an online banking account can pay by online bank transfer.

Secure PIN/TAN [Personal Identification Number / Transaction Number] processing

Customers are familiar with the PIN/TAN process and trust it.

Rapid delivery

Goods can be shipped immediately. The merchant need not wait two or three

business days, because the payment is guaranteed. Ideally suited for impulse purchases.

Reasonable Charges

Costs run from 1% to 2,5% of the billing amount—much cheaper than credit cards.

Single payment

Not appropriate for recurring payments. The ideal internet payment method for one-time payments in e-commerce.

Advantages of online bank transfers vs:

Classical bank transfers / Payment in advance

- Customer's payment effective immediately
- Unambiguous details of payment
- Faster delivery of good possible

C.O.D.

- No C.O.D. fees for the customer.
- Merchant receives payment faster
- No refusal of delivery

Direct Debit

- No risk of rejected debit
- No rejected debit fees
- No credit check by the bank necessary

Credit Card

- Online accounts more widely used than credit cards
- Lower fees

How does online bank transfer works

From the merchant's point of view, bank transfer is the securest form of payment. The customer executes a payment order, and two or three business days later the money is credited to the merchant's account. Then the merchant can send his wares, or grant the customer access to the chargeable members' area, since the payment is final, unlike payments via direct debit or credit card.

Normally, the classical bank transfer is used to pay bills. The customer has already received the goods or services, together with a bill to be paid within a few days.

Normal bank transfers are not very practical for internet business. While, in the age of online-banking, the customer can instruct his bank immediately to make a payment, but the actual credit to the merchant's account occurs two or three business days later, and only then is he certain that the payment was executed. For this reason, the classical bank transfer is mostly used in the internet for payment-in-advance. Only when the funds have been received will the wares or services be delivered.

But what customer wants to wait a week or more for his goods in the internet age? By the same token, no e-commerce merchant wants to execute an elaborate creditworthiness check so that he can offer a new customer immediate delivery with a bill. It seems curiously anachronistic, that a payment can be executed in seconds with PIN and TAN in online-banking, but the booking takes days.

„Online Bank Transfer“ allows immediate booking.

Here is where the "Online Bank Transfer" can help. This is not a classical bank transfer via online-banking, but rather an intermediate application to process the customer's payment with his bank, and notify the merchant immediately when payment is confirmed.

Online Bank Transfers use the PIN/TAN method of online banking, where a transfer form is completed and the payment then released with PIN and TAN. If the customer has selected "Online Bank Transfer" in the internet shop, then an online bank transfer form is created, where the merchant has already entered details of payment recipient, amount and details of payment, and the customer completes the form with his account number and bank reference number.

The image shows a screenshot of a web-based payment form titled "instantpayment" with the tagline "ordered paid delivered". The form is for a "Bank Transfer Order / Payment Form" and asks the user to "Please enter your bank account details here:". The form includes the following fields: "Full Name" (filled with "CHRISTOPH KLUM"), "Account Number" (filled with "1 9 0 0 4 2 3 0 9 9"), "Clearing No." (filled with "3 9 0 0 1 9"), "Currency" (set to "EUR"), and "Euro Cent" (set to "0 0"). There is a "Confirmation No." field at the bottom. To the left of the form, a callout box with a large number "1" contains the text "Der Endkunde gibt im Shop seine Bankdaten ein:" followed by a list: "• Kontoinhaber", "• Kontonummer", and "• Bankleitzahl". To the right of the form, there is a "TAG / Help" button and a "Bankleitzahl" section with details for "HBC Online Shop" (HBC Online Shop, Hofheimstr. 209, 20201 Hamburg - 10245, Reg. No. U19405-040, Axi. No. - Clearing No. 27000000 270 000 00). Below this is a "TUV" logo and a "SECURED TRANSACTION" logo. At the bottom of the form are "Check out our SSL-Certificate" and "Check out our SSL-Certificate" buttons, and "Cancel" and "Next" buttons.

The bank reference number tells the application which online-banking site in the internet must be contacted and the application opens a link to that site in the background. The customer then logs in to his bank site with his personal PIN and password

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Der Endkunde meldet sich mit seiner Kundennummer und PIN bei seiner Bank an.

Step 2 of 3

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Instant Payment
Please check your order details:

Beneficiary:	ABC Online Shop
Account No.:	85933301
Clearing No.:	78340091
Order No.:	1484259 Z
Amount:	100,00 EUR

Buyer:	Christoph Klein
Account No.:	1900423599
Clearing No.:	37050198
Bank:	Sparkasse KölnBonn

Confirm Transfer Details
Important Notice regarding your Bank
For security reasons your bank requires your customer reference or account ID. Please check your ID on your TAN screenshot on the top right. Your ID is a 7-digit Number.

Customer reference or ID:

PIN:

and is instructed to authorize the payment with the appropriate TAN. That completes the payment for the customer.

From the customer's point of view, the process is just like normal online banking. The advantage for the merchant is that he is immediately informed of successful completion of the payment. Although the money will not actually be credited to his account until after the usual two or three day delay, he can already be certain the money is on its way, and send the wares ordered or grant the customer access to members' area in the website.

Online bank transfers can be used wherever rapid delivery of goods or services is desirable. It can be used for classical e-commerce, access to members' areas (singles' contact rooms,) restricted user groups (erotic), as well as for sites that require a positive balance on a virtual account, such as poker- or sports betting. They are not applicable for subscriptions or multiple payments, since the customer must authorize each payment with a TAN.

Credit cards and direct debits compete with online bank transfers, especially for the applications listed above. Online bank transfers are more attractive for the merchant, however, because payment is more certain than with direct debits, and generally less expensive than credit cards. The major advantage for the merchant is guaranteed payment. Although a theoretical possibility exists that a bank could stop a successfully executed online transfer, in practice this can hardly happen. (Probability 1 in a thousand).

The fact that almost every internet user has a bank account with online access makes online bank transfers especially attractive. On the other hand, only about one customer in five in Germany has a credit card.

The first merchant to offer the online bank transfer in Germany was Stackbox. The first online bank transfers were introduced in Germany in 2002, but the timing was premature. Since December 2002, T-Online has offered online bank transfers for payment in its own shop. But even here the product has not yet been successfully marketed.

The most successful payment methods in Germany currently are Giropay and Sofortüberweisung. Giropay was developed by the Postbank, the *Sparkassen* (savings banks) and popular banks, and can presently be used by over 17 million

online accounts. Sofortüberweisung is a bit wider spread in Germany than Giropay, and is also used in Austria and Switzerland. From 2008 on, it will also be available in Spain, England, and the Netherlands. For merchants, Sofortüberweisung has the advantage on only costing 1% of the amount charged, while Giropay charges 2,4% for the same service.

Anyone selling a product across Europe should offer an online bank transfer solution for as many countries as possible. The service is currently available in Spain (ePagado), Poland (Przelewy24), Austria (eps), and the Netherlands (IDEAL). The last specifically requires a Dutch bank account, and an iDEAL contract with a participating bank.

The use of online bank transfers for internet trade is increasing. Merchants like the security of payment and the very reasonable conditions, depending only on the sales amount. Customers value the rapid processing of their orders from placement to delivery of goods or access to a service.

A summary of the advantages of online bank transfers:

The most important advantages for merchants:

- Cheaper transaction costs than with credit cards
- Greater certainty of payment than with direct debit
- No risk of refusal of delivery as with C.O.D.
- Wide availability to customers due to the widespread use of online banking.
- No reversal of payment by the customer possible, and therefore no reversed payment charges.

The advantages for the customer are:

- Quicker delivery of goods and services
- Assured payment through reliable intermediaries
- Familiar payment process, similar to online banking
- No preliminary registration required
- No positive virtual account required
- No subscription trap, since each payment must be individually authorized with a TAN.

Full service from specialists

An online merchant who wants to offer online bank transfers must contact an appropriate "Acquirer" (credit institution that clears credit card payments for merchants). This will be the contact for the business prerequisites and will decide whether the business model in question meets requirements. Usually the "Acquirer" will be the merchant's local in-country bank.

Besides the Acquirer, an additional contract must be concluded with a Payment Service Provider, who supplies the technical connection between shop and Acquirer.

Online merchants wishing to offer online bank transfers, but without dealing with acquirers and Payment Service Providers directly, can use special service providers such as Pay4. Pay4 has longstanding contacts with most important European Acquirers and takes care of the business relationship with the bank, as well as the payment transfer connection between shop and bank.

This provides international and overseas merchants a chance to offer their customers the appropriate local online bank transfer methods, e.g. in Europe, without making all the necessary contacts themselves, and negotiating, possibly in a foreign language. This allows them to significantly extend their sales reach and thus increase sales in target markets with online bank transfers.