

# Food for thought about sourcing



Michael Steinbach,  
Chairman of the Board  
of Directors, Equens SE.

**As Hilary Clinton said in her popular quote, you should “never waste a good crisis”. Banks are therefore seizing the current situation as an opportunity to reconsider their strategies, reassess their operational models, and clarify what business they really need to be in. More than ever, the challenge is to use scarce capital where it is most likely to be profitable.**

One thing is for sure: growth will not come from investments that are necessary just for the continuation of existing activities such as payments. Whilst its objective is to lower prices for the customer, SEPA requires considerable investments in adjustments to systems and processes. Not surprisingly, there is mounting discussion regarding the sourcing of activities that can be performed more cheaply, and hopefully better, by third parties.

#### **Benefits achieved, problems solved**

Payments are one of the services that make a bank a bank for its customers. However, what is the point of building and maintaining systems and procedures when these systems and procedures have to comply with the same SEPA standards that apply for all European banks? Full or partial outsourcing of payment processing is becoming an increasingly interesting alternative, but it is imperative that banks make the right choices. As Equens, we can play an important role by, in consultation with the bank, taking a close look at every aspect of their processes, and jointly determining where outsourcing could achieve benefits and solve problems. This can then be achieved through anything from standardised solutions to full

outsourcing, including labelling of client-specific services.

#### **Benefit from economies of scale**

Equens has seized the arrival of SEPA as an opportunity to develop solutions for the entire bank payment processing chain. These solutions consist of a variety of service modules that together cover the whole of this chain. Banks can outsource parts of the chain in different combinations. On their behalf, we can take care of each of their process steps. As we already work for a large number of banks in Europe, our clients benefit from our economies of scale and scope. This allows us to balance business cases more quickly, and also shorten the time to market for new services, which in turn reinforces the competitive position of the bank.

#### **Continuing demand for domestic services**

SEPA transactions currently account for only a very small portion of payment volumes in Europe. But even after the large-scale migration to SEPA, country-specific functionalities will still be needed. Banks in the various European countries will, partly at the request of their own customers, want to provide at least the service level they currently

provide in their domestic markets. SEPA must not result in lower service levels, anywhere. Consequently, we have chosen the core CSM services as the basic component for our portfolio, extended by a wide range of optional Value-Added Services (VAS). The VASs are geared to the various service levels that the different European countries have become accustomed to.

#### **Local expertise, European scale**

Two things are essential in enabling banks to offer the level of service they already offer in their domestic markets: knowledge of local markets and the experience to respond to specific market demands and volume in order to be able to operate cost-efficiently. Equens offers significant added value in both respects. Via our Dutch roots we have many years of experience in providing a wide range of services for banks, not only in the area of clearing and settlement, but also in terms of functionalities for a much broader spectrum of activities. Via our German roots we have in-depth knowledge of payment processing within banks. This also applies for the Italian and Finnish operations. Our European presence, combined with our varied experience, allows us to respond efficiently to the varying local market situations and demands.

#### **Processing as a raison d'être**

We believe a payment processor should be independent from a governance point of view, and have card and payment processing as its core activity. Banks have to be sure that their interests and those of their

**Equens** is a truly European company, with roots and offices in four European countries – the Netherlands, Germany, Italy and Finland. Payment processing has been our core business for more than four decades. In addition, our national roots and local expertise allow us to meet national and bank-specific market demand right across the payment processing chain. With clients in ten, and partnerships in six European countries we offer European market coverage. We offer full reach in Europe, and even beyond SEPA – via the IPF Association and our strategic partnership with the Federal Reserve Banks. Our governance structure is stable with committed shareholders all over Europe. This, combined with our European growth strategy, enables us to offer long-term continuity.

customers come first. Processing has been Equens' raison d'être for many years. We are not affiliated to one specific bank, and occupy a brand-independent position in the cards market. Moreover, we offer long-term commitment and want to operate close to our markets and clients. For instance, when a leading Finnish bank joined our clientele, we decided to set up an office in Helsinki to be accessible as possible.

#### **Banks want solid sourcing partners**

Sourcing processes are time-consuming and require building a relationship of trust, whether they involve a standardised service or full outsourcing. Rightly so, in my opinion. Banks want extremely solid sourcing partners who can guarantee long-term continuity. This in turn provides sufficient scale in the processing market. We know from experience to what extent banks can benefit from economies of scale by sharing substantial parts of the infrastructure. Sufficient scale leads to economies of scale that facilitate a low cost price, but also result in an earnings model that leaves room for investment in innovation and keeps systems and processes compliant with regulations. This allows the needs of the bank to continue being met.

# EQUENS

Equens SE  
Tel: +31 (0)30 283 60 06  
E sales@equens.com  
www.equens.com