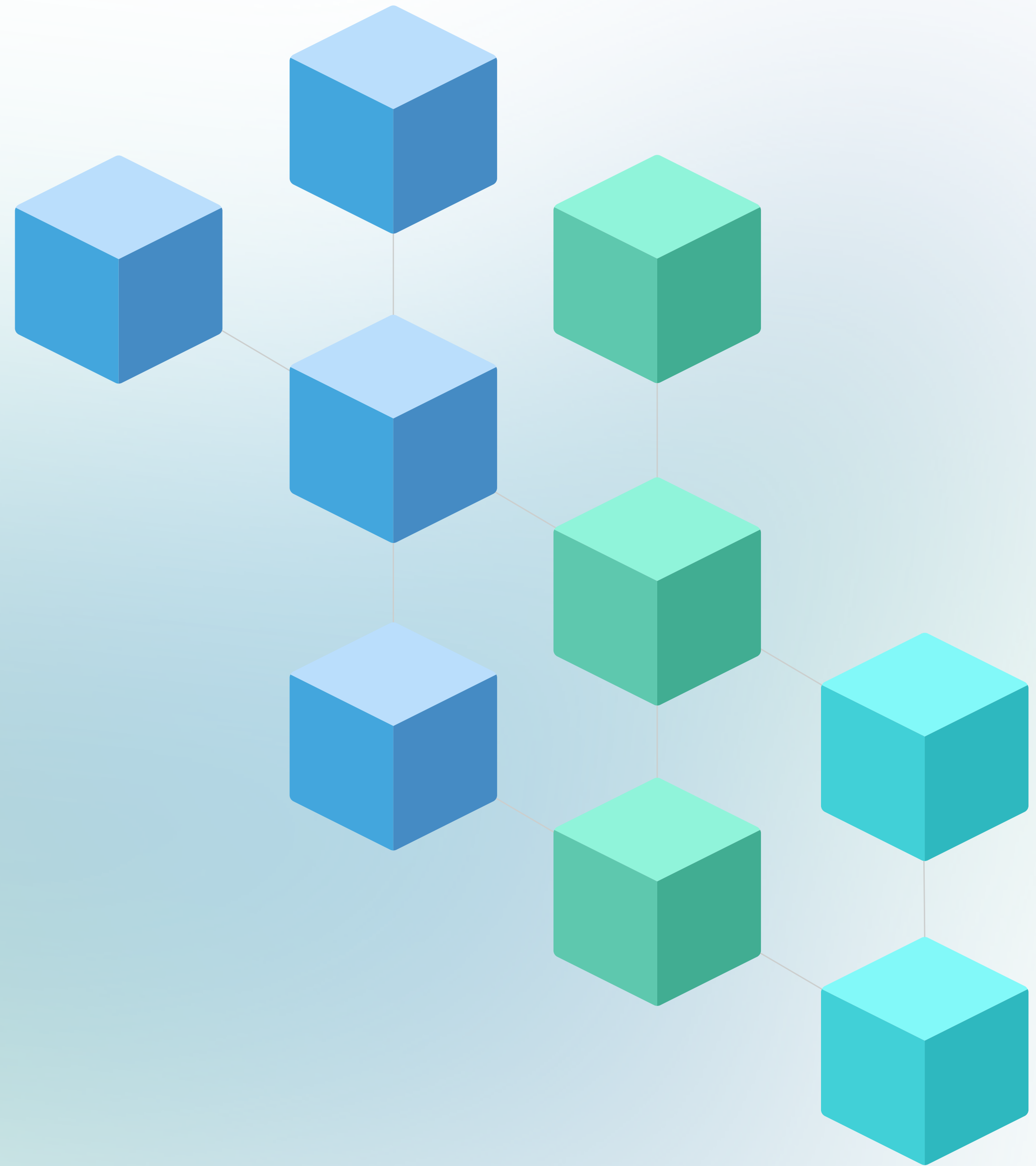# APEXX

ROUTING

# APEXX Intelligent Routing Engine (AIRE)

Product Overview

Merchant Cost Background

The sheer number of Interchange and Scheme Fees in each market, coupled with the ever changing rates, can make keeping on top of costs difficult, for merchants with global volume. As the complex nature of all three pricing elements are required to be built on each Acquirers platform, variances can appear on a like for like transaction across different Acquirers. APEXX' unique position as a gateway, is in a prime position to route transactions across different Acquirers, where the cost opportunity occurs.
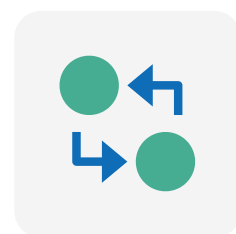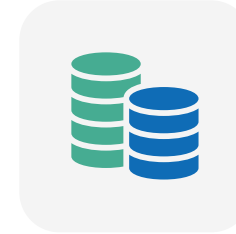
COST COMPONENTS

Typically merchant fees are made up of Interchange, Scheme Fees and Merchant Service Charge (MSC)
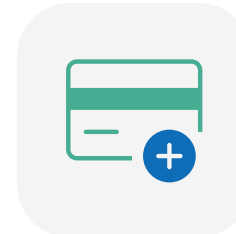
CARD SCHEME COSTS

Card Schemes (such as Visa, Mastercard, American Express etc) are responsible for setting Interchange (paid to the Issuer) and Scheme Fees (paid to the Scheme)

ACQUIRER RATE BUILDS

Acquirers build the Interchange and Scheme Fee costs on to their billing platform, to ensure charges are passed to merchants correctly (in the case of IC+ and IC++ pricing plans), as well as passing on the MSC
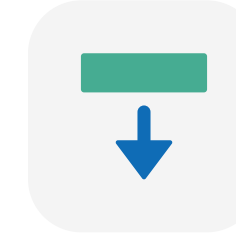
DOWNGRADE RATES

Although Interchange is regulated (in Europe and select other countries), fees can increase on Commercial card volume, whereby "non secure" or late settled transactions can qualify for the higher "downgrade" rates

SCHEME FEE VARIANCES

As scheme fees are not regulated, their complex nature, coupled with a mix of volume fees, behavioral/compliance fees and market specific fees, can create mismatches between the overall rate applied by acquirers on a like for like transaction
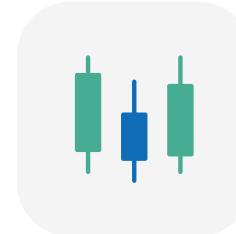
ACQUIRER MSC

The merchant MSC will also vary between acquirers, creating additional disparity on the overall fee applied to a transaction
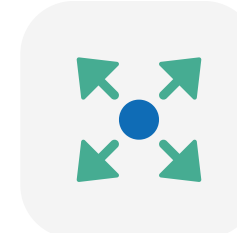
OVERALL RATE

Combining the three pricing elements can present a very different overall effective rate on a transaction between Acquirer A & Acquirer B

APEXX POSITION

APEXX' unique position as a gateway can utilize these discrepancies and route transactions between two or more incumbent Acquirers based on the cheapest cost
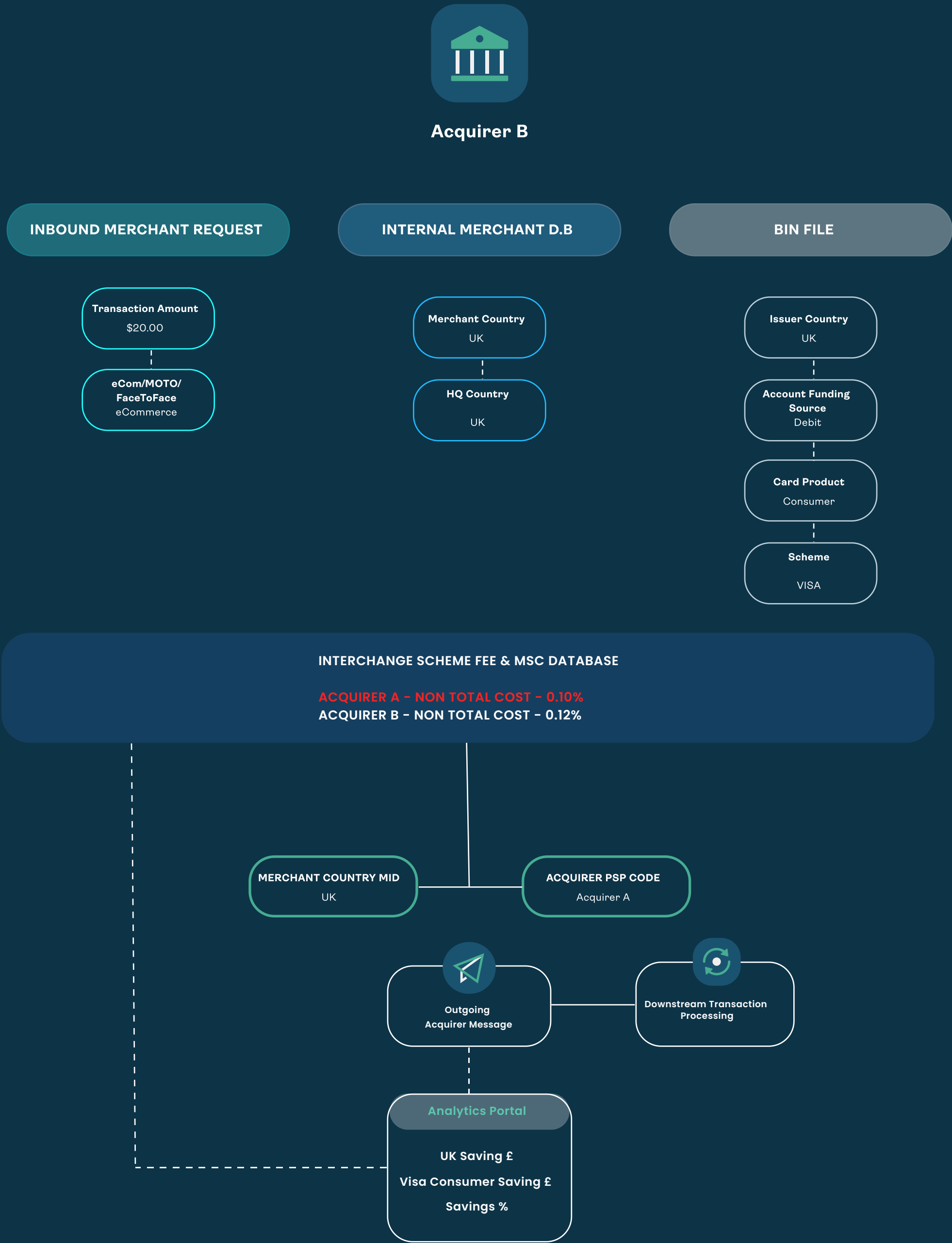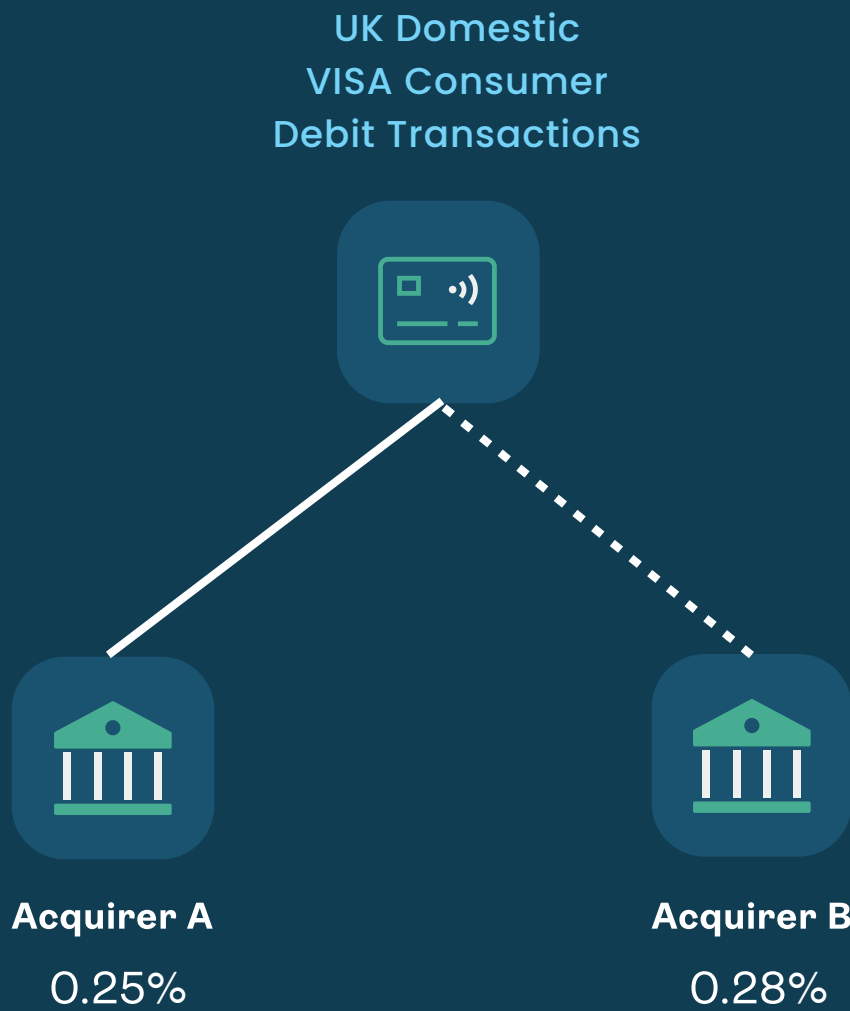
APEXX

Available Routes to Merchants

All* merchants wishing to save money on cost can route transactions between incumbent Acquirers where there is more than one Acquirer available in a particular market

Technical | How AIRE picks the route

A cost repository database is maintained in order to assess the applicable merchant Acquirers cost amounts across 9 metrics.

AIRE will assess the metrics below to pick the cheapest route based on the field data present in the inbound message. The cheapest Acquirer PSP is then used to populate the outgoing Acquirer message

*All – Any merchant with two or more Acquirers who have the licenses to process transactions in the same markets

Acquirer B

UK Domestic
VISA Consumer
Debit Transactions

Acquirer A
0.25%

Acquirer B
0.28%

INBOUND MERCHANT REQUEST
- Transaction Amount $20.00
- eCom/MOTO/ FaceToFace eCommerce

INTERNAL MERCHANT D.B
- Merchant Country UK
- HQ Country UK

BIN FILE
- Issuer Country UK
- Account Funding Source Debit
- Card Product Consumer
- Scheme VISA

INTERCHANGE SCHEME FEE & MSC DATABASE
ACQUIRER A – NON TOTAL COST – 0.10%
ACQUIRER B – NON TOTAL COST – 0.12%

MERCHANT COUNTRY MID UK — ACQUIRER PSP CODE Acquirer A

Outgoing Acquirer Message — Downstream Transaction Processing

Analytics Portal
UK Saving £
Visa Consumer Saving £
Savings %

Cascading | **Protecting the downside**

Where routing occurs that results in the transaction becoming cross border, or routed to an Acquirer with higher decline rates, cascading safeguards are automatically implemented to ensure Acceptance isn't detrimentally impacted as a result of cost routing

Soft Declines

Where a soft decline occurs on the authorisation decision, AIRE will automatically re-attempt under different conditions, to maximise chances of approval

Re-Routing

Should the transaction be routed to cross border in the first instance, a reattempt will be made under Domestic parameters to increase the likelihood of approval

Data Enrichment

Depending on the nature of the decline, additional information may be required on the authorisation message. AIRE will perform data enrichment of the authorisation message (where applicable) to increase likelihood of approval

Latency

AIRE is stress tested for latency whilst the shopper is awaiting an approval decision, to ensure the cardholder doesn't abandon the basket whilst waiting on a decision

AIRE | Merchant Value Delivery

Soft Decline Recovery
15 – 30%
CONVERSION OF SOFT DECLINES

Improved Sales Conversion
2 – 5%
INCREASE IN ACCEPTANCE RATES

Reduced Msc Unit Cost
10 – 20%
MSC COST SAVING WITH ROUTING

Margin Improvement
5 – 10%
IMPACT OF COST & CONVERSION OPTIMIZATION

$\wedge$ APEXX

Any Questions?

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