



EMV Fleet Migration
Executive Summary
Fleet Stakeholder Benefits Realisation Document

EXECUTIVE SUMMARY

The EMV Fleet Migration project is aimed at implementing a modernised fleet solution in the South Africa National Payments System (NPS), which will be the foundation for the migration of fleet cards in South Africa to new-generation technology.

South African fleet and fuel card issuers are currently utilising a closed loop 3-Party fleet model based on magnetic stripe technology and limited cross border acceptance. The South African fleet industry recorded over R40 million in fraud losses in 2020. Fraudsters are increasingly using computer generation and randomiser methods to produce more counterfeit cards to buy and sell fuel. Furthermore, the introduction of new generation technologies, such as Alternative Payment Methods (APMs) and the inclusion of new players where credit or debit cards traditionally were mainly utilised for payment, such as electricity (EV), is becoming more prevalent within the fleet industry.

The development in new vehicle type technologies, for example IoT, Connect-a-car and lower carbon emission types, such as EV, LPG and solar have a direct impact on the infrastructure development of merchant networks. There is increased pressure to amend POS devices, cashier systems and forecourt technology. Fleet and fuel card issuers now realise that the current value offering, technology stack and pace of delivery are no longer “fit for purpose” nor sustainable.

The demand for a sustainable and affordable but flexible solution is on the horizon. There is more movement in the B2B fleet and fuel environment due to increased online sales, deliveries and a high demand for fuel in certain sectors. Furthermore, the transport sector is margin-sensitive, resulting in a strong and definitive focus from all commercial road transport companies to reduce costs, driving fleet card issuers to find solutions to reduce costs and improve their customer value proposition around risk, security and fuel price management.

Fleet and fuel payments are closed loop ecosystems with complex platforms and operating models that have evolved over many years to serve a specific purpose. Fleet card issuers can be proud of what they have established in the market; the learnings, skills and methodologies implemented provided the industry with strong value propositions. Therefore, the movement to focus on more interoperable and globally accepted solutions and standards has resulted in fleet issuers advocating for the migration of fleet and fuel cards to adopt international standards and solutions. The introduction by the IFSF and Conexus forums and International Schemes to adopt and embrace EMV-based technology within the fleet and fuel ecosystem has provided the necessary tools for all stakeholders to migrate more efficiently to EMV technology.

Inclusiveness and transparency within the fleet industry payment ecosystem will result in all stakeholders benefiting from the skills, technology, learnings and resources within the greater financial and fleet industry, which will reduce costs and eliminate the risks associated with such an initiative.

It is increasingly evident that more and more organisations are proving that technology can complement the fleet and fuel card ecosystem and it is possible to adopt these international standards and overcome the current incumbent of challenges.

We therefore encourage all stakeholders within the fleet and fuel market to participate and collaborate on achieving the EMV Fleet migration project's objectives resulting in a more sustainable fleet Industry and contribute to the growth of the South African economy.

Following the approval of a position paper, strategic research into the fleet landscape and recommendations for implementing a modernised fleet model in South Africa, the EMV Fleet Migration project is now underway.

Fleet cards in South Africa will migrate to new-generation technology, utilising international EMV Chip and PIN standards, with the following objectives:

- Migrating from 3-Party to 4-Party operating model.
- Adopting a scheme EMV Chip and PIN card programme.
- Standardisation of issuance and acceptance by adopting international Conexus specifications.
- Continue to support the processing of local transactions via BankservAfrica (BSVA).
- Enable cross-border acceptance and processing via scheme infrastructure.
- Allow for private label scheme programme for oil company cards to participate.
- Adoption of fleet payment clearing rules within the debit- and credit card payment clearing rules.

FLEET STAKEHOLDER BENEFITS

The migration of the Fleet industry towards the Chip and PIN card has multiple benefits for customers and retailers. The trends highlighted below are some of the benefits and opportunities that are becoming increasingly prevalent:

- Chip and PIN will have a direct impact and reduction on fraud loss, especially counterfeit cards.
- Providing Issuer with the opportunity to enable customers to manage their cards more effectively in a self-service environment that provides enhanced security controls, with the assurance that they have control over their own financial destination.
- Digitisation of payment channels, focusing on 'Big Data', Internet of Things (IoT), data analytics and payment behavioural analysis provides service providers with intelligence to gear them to improving the efficiency and security of the customer and retailer's payment journey.
- Focus on professional management of fleets, taking into consideration the increase in next generation vehicle technology and new types of purchases, such as electricity for electric vehicles, will add more value to the changing fleet environment for both customers and retailers.
- Considering customers' and retailers' need to allow for Connected vehicle concepts where payments are linked to vehicle on-board technology to provide logistics managers more information on vehicle's cost and driver behaviour.
- Disruption and modernisation to the fleet industry continues to influence governments to re-focus their efforts on stability and innovation within the payment ecosystem, with increased attention to inclusivity, regulation and legislation allowing for customers and retailers to have a more standardised platform for payment.



- Real-time processing and the capability to have direct contact with customers and drivers via solutions such as SMS, email or mobile application notifications will reduce call centre activities and result in early detection and prevention of fraud.
- Having access to enhanced risk and fraud management solutions focusing on concepts such as supervised- or unsupervised behaviour and machine learning, will assist in fraud identification, prevention and case management, allowing a more pro-active approach resulting in a direct benefit to all customers, retailers and fleet card issuers and acquirers.

Signing merchant agreements is a lengthy and costly process and requires systems and resources to maintain merchant databases. With a 4-party model the retailer does not have to sign agreements with the fleet issuer and only has a single agreement with their acquirer for card acceptance.

- More effective, standard and fair chargeback process via schemes to resolve liability shift reducing the impact on customers and retailers' in the management of disputes and queries.
- Focusing on international standards of processing and acceptance reduces the need for additional agreements and standards for processing by retailers and reduce inconsistent customer acceptance standards and system customisation.
- Customer and retailer data quality and management of data will be better aligned to international processing standards, resulting in cleaner data for all stakeholders and less disputes on data quality.
- Providing issuers and acquirers the ability to leverage the technology development for their African country subsidiaries to expand their offering to customers and retailers. This will also encourage acceptance of cards across South African borders which will eliminate cash handling and merchant accounts which are open to fraudulent activity and are administration intense. Customers will have the benefit of Forex and currency conversion solutions for cross-border purchases allowing for a more effective cashflow and risk management.