

# International Payment Processing for the Online Casino Market

The international market in online casino gaming is booming – a study from Juniper Research predicts a volume of 4.5 billion dollars by 2009. This business is growing most

rapidly outside the USA, and this presents casino management with some special problems. While the internet allows geographically distant markets to be easily

addressed, it also demands attention to customers' differing preferred payment methods in different markets. Meanwhile, however, numerous

online payment mechanisms exist which casinos can use worldwide, and which can accommodate regional constraints and preferences.

Type of wares	Units	Delivery	Fraudtools	Authorization	Payment methods
digital wares	Time	Access / Membership	<ul style="list-style-type: none"> <li>• Age verification</li> <li>• IP-check</li> <li>• BIN-check</li> <li>• MCC-Code</li> </ul>	<ul style="list-style-type: none"> <li>• Telephone-PIN</li> <li>• Money-transfer PIN</li> <li>• Credit card PIN</li> <li>• SMS-PIN</li> </ul>	<b>Micro &lt;€10,-</b> <ul style="list-style-type: none"> <li>• Premium-SMS</li> <li>• Dialer</li> <li>• Prepaid card</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Macro &gt;€10,-</li> </ul>
	Piece	Internet			
physical wares	Piece	Post	<ul style="list-style-type: none"> <li>• Address check</li> <li>• Scoring</li> </ul>	<ul style="list-style-type: none"> <li>• Postman</li> </ul>	<ul style="list-style-type: none"> <li>• Credit cards</li> <li>• Direct debits</li> <li>• Money transfers</li> <li>• EWallet</li> </ul>

Casinos, however, face special problems: National borders hardly exist any more for digital products, which can be delivered via the internet and used on a home PC. Potential customers can only acquire such products when payment methods are proposed which are available to them.

In choosing payment methods to accept, a casino manager must evaluate the costs of each method, its security and certainty of payment.

Casinos can offer their customers one or more of the following payment methods:

### Credit card

The credit card is currently the only truly international payment method, combining worldwide acceptance with widespread use among customers. Many credit card owners use their cards for internet purchases. From the casino's point of view, payment via credit card is ideal: the combined low cost and relatively high certainty of payment make credit card sales attractive. Payment is checked in realtime; if approved, then the customer can be granted immediate access to the games. From the casino's point of view, credit cards are almost the perfect internet payment method.

Casinos, however, have problems

obtaining an appropriate credit card acceptance contract, or must accept that American credit card holders cannot pay via credit card to a casino code 7995.

An international internet casino must be able to offer its customers payment via credit card, but that will not be enough for all potential customers. Many customers either don't have credit cards for various reasons (credit-rating, cost, etc.), or simply refuse to pay by credit card via the internet, either because of security concerns, or considerations of anonymity.

### Direct debits

In Europe, the most common payment method after credit cards is the direct debit, which can be in one of two forms:

Debit order: the account holder gives his bank written authorization for a particular payee to deduct money from his account. This method is irrelevant to internet business, since (besides the differing media) it requires the prospective purchaser to send an appropriate authorization to his bank before it will guarantee an internet payment.

Collection authorization: in this case the payer provides the casino with written permission to debit funds for a specified purpose from his account. The banks involved

may demand to see this authorization, though in practice this hardly ever happens.

For this method, payment is credited to the casino's account provisionally: he can not actually dispose of the funds until they have been credited from the payer's bank.

Besides rejection of a direct debit on account of insufficient funds or invalid account, the payer can also peremptorily reject any payment within six weeks after it was debited to his account, in which case, the entire transaction is rolled back. Such a reversal is described as a 'rejection'. A status message notifying of insufficient funds or an invalid account is generally delivered within four working days; a rejection however can occur anytime up to six weeks after payment.

At 64%, direct debits are the most significant internet payment method in Germany, the largest European market, though one not yet open to online gambling until deregulation occurs. Any German, with his own bank account, can pay by collection. There are currently 70 million German accounts qualified for collections. Since almost every German has an account, collection authorizations are the most generally available means of internet payment.

Collection authorizations are not so common in Austria as in Germany. In Austria about 28% of internet payments are direct debits, although they are increasing rapidly. 42% of Dutch internet payments are direct debits, where, in contrast to the six-week rejection period common elsewhere, the customer must reject a debit within 35 days.

With 56%, Spain follows Germany closely in the use of direct debits. In Spain the customer's national ID number is also required to authorize such payments. Payment by direct debit is also gaining market share in the UK, where it has only become available in the last few years. In the UK the customer must explicitly authorize his bank to allow direct debits to his account, but this is standard procedure for new accounts, and old accounts can be authorized at any time. In the USA direct debits are known as ACH payments or direct payments, and are used by about 43% of all households.

Collection authorizations are not offered in Norway or Switzerland. Instead, they have a booking process where the customer completes and signs a form which either he or the casino sends to his bank. The bank then checks for an appropriate authorization before executing any incoming debits.

Country	Germany	Austria	Netherlands	Norway	Switzerland	Spain	UK	USA
Process	Collection	Collection	Collection	Debit order	Debit order	Collection	Collection	Collection
Prevalence	64%	28%	42%	5%	5%	56%	16%	43%

This procedure is cumbersome and only practical for constant payments to the same account. Internet payments are effectively restricted to memberships, or loading a betting account with a casino or bookmaker.

The advantage for the casino lies in the certainty of credits received. Rejection of the debit is almost impossible, and this is reflected in the minuscule percentage of reversals. In Norway, for example, the customer receives a statement of direct debits to his account around the middle of the month, and then has two weeks to ensure covering funds are available, or to reject the debit as unauthorized. No rejection is possible thereafter (see table above)

Various payment services today offer, in addition to debits for collection authorization, automated capture of payment rejections. The casino is informed daily about rejections, allowing it to immediately close a rejecting member's access. Firms like WebTrade.net offer casinos, in addition to simple reporting of rejected debits, and debt collection via local debt collection agencies. In the event of a payment rejection, the customer is informed by email so that he can settle the matter by a simple bank transfer of the original amount, plus the direct-debit rejection fee to an appropriate account. If there is no reaction to the email, two letters from an attorney follow, as well as several telephone calls.

The most important countries for payment by direct debit are Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland, and the UK.

**Prepaid cards**

Prepaid cards are a special variant for the internet. These are cards purchased either in a shop or directly over the internet, either exclusively for one casino, or for many. For the customer, prepaid cards offer the advantage of absolute anonymity; and for the casino that of guaranteed payment. The disadvantage of prepaid cards, from the casino's point of view, is high payment fees (up to 15%) and a relatively limited customer base. This payment method, however,



appears predestined for micropayments (< #0).

**eWallet Solutions**

eWallet solutions are a novel and very popular payment method. These are virtual wallets which the customer either pays into directly, or with which he registers his preferred payment method. If a payment method is registered, then payment is made either by credit card or direct debit, in accordance with the customer's wishes. When the customer pays from his eWallet, the amount due is debited either to the eWallet credit balance, or the registered background account and credited to the casino.

In the German market, T-Pay, Click& Buy from Firstgate, and Webcent from Web.de have established themselves foremost for micropayments. The best-known participants in the international market are ccard.net, Click2Pay, epassport, Firepay, Moneybookers and NETeller.

eWallet solutions have another attractive feature: they can also receive payments. eWallet users can exchange payments amongst each other, and merchants can pay funds into eWallet accounts. eWalleys thus represents a significant alternative for such international payments as a French buyer's auction purchase from an American seller, or to pay out winnings or commissions.

Payment from these accounts is made either by bank transfer or check. Some providers offer eWalleys with ATM-cards, permitting cash withdrawal at over 900,000 cash machines worldwide.

**Bank Transfer**

Bank transfers are treated as payment-in-advance and are gaining on eWallet solutions on the internet. A casino can regard a bank transfer as a guaranteed payment, which is generally credited to his account two to three days after the transaction is initiated. WebTrade.net maintains accounts with numerous European banks to receive payments for its casino customers and forward them to their accounts. The casino is thus freed from the necessity of establishing a subsidiary in each country in which he wishes to accept domestic payments.

However, the casino is only informed about funds received when its house-bank's statement is available, which can be two to three days after the payment and is a distinct disadvantage with regard to traditional internet business. Standards are being developed, however, by which a bank transfer over the internet can be recognized by the payment system in realtime, triggering immediate despatch of the wares purchased. In Germany such a solution is currently offered by Pago as "Online Überweisung [bank transfer]", and in Austria as "eps" (e-payment standard).

One widespread international payment system is Western Union. A cash deposit at a Western Union counter anywhere in the world enables the payee to receive the money at any other Western Union office, or to have his account credited.

**Summary**

Despite the international character of the internet as a market for

goods and services, many casinos today still restrict their offers and payment methods to the national level. But for online gaming, which can be offered and played via the internet, national restrictions are largely irrelevant. Credit cards are still the only international payment method that is actually available worldwide. But when a customer has no credit card, or refuses on grounds of security to use it on the internet, or a casino cannot obtain a credit card acceptance contract, then alternative payment methods become necessary for internet gambling.

Casinos that can not, or do not, wish to establish a worldwide net of banking relationships in order to offer their customers alternative payment methods, can simply buy international payment processing services such as WebTrade.net's Internation Collect Service from a payment service provider. Currency conversions are provided automatically: if a Swiss gambler wishes to pay a Caribbean casino by direct debit, a Currency Converter module computes the payment in both currencies, the customer's account is debited in Swiss francs and the casino is credited in US dollars. Thus Payment Service Providers are ideal partners for anyone wishing to market their services as broadly as possible in Europe; they simplify access to new markets without upfront investments, and offer competitively priced back-office services, ranging from automated direct debits, processing payment rejections, to debt collection services. ●

**AUTHOR PROFILE**



Jens Leinert, 39, has been with WebTrade since 2001. As Group Marketing Director, he has been responsible for corporate strategy, marketing, business development, and Product and Project Management in a rapidly expanding corporate group with 12 subsidiaries and over 80 employees.