

**GENERAL NOTES
ON
iDEAL
Rules & Regulations**

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General notes on Rules & Regulations

1 Introduction

This document gives general notes on the iDEAL Rules & Regulations (R&R), which contain the various arrangements regarding all critical activities relating to the iDEAL payment product.

These notes cover:

- the reasons for developing the iDEAL Rules & Regulations;
- a description of the iDEAL payment product;
- the Licence and Certificate structure;
- the content and structure of the document entitled '*iDEAL Acceptance Regulations*';
- the content and structure of the document entitled '*iDEAL Rules & Regulations*';
- the content and structure of the document entitled '*General Rules & Regulations – Part II Concepts and Definitions*';
- a brief description of the processes related to the iDEAL product.

No rights may be derived from these general notes nor do they form part of the iDEAL Rules & Regulations.

2 Reasons for the iDEAL Rules & Regulations

Currence iDEAL B.V. is the owner of the iDEAL brand and payment product. The company has the task of defining and managing standards applicable to the various roles identified as part of the payment transaction system of the Netherlands relating to the iDEAL payment product. iDEAL Rules & Regulations (iDEAL R&R) have accordingly been drafted for the purpose of regulating and controlling the iDEAL payment product. The iDEAL R&R contain descriptions of the various roles and activities which players admitted to the iDEAL payment transaction market are able to perform and are permitted to perform. These roles and activities are governed by Licences and Certificates issued by Currence iDEAL B.V.

As owner and operator of the iDEAL payment product, Currence iDEAL B.V. guarantees among other things the efficiency, quality (including reliability and image) and integrity of iDEAL payment transactions. The principal tasks of Currence iDEAL B.V. are as:

- owner, policy and management of the iDEAL payment product;
- regulator, responsible for the drafting, adoption and management of iDEAL Rules & Regulations;
- issuer of Licences and Certificates;
- overseer of Licensees and Certificate Holders (with the power to impose sanctions);
- coordinator of anti-fraud measures;
- facilitator of consultation structures;
- developing of the iDEAL payment product, including innovations;
- manager of public relations, public affairs, media contacts and brand promotion.

2.1 The iDEAL payment product

The iDEAL payment product covers all the roles and activities licensed and certified by Currence iDEAL B.V. in the payment application chain that enables a Customer using a real-time internet banking application to make iDEAL payments to a Merchant. These payments are debited to the Customer's account and credited to the Merchant's account. Customer authentication relies on the validation process of the internet banking application of the Issuing Bank in question. A payment instruction verified by the Customer using the internet banking system is irrevocable. The Issuing Bank guarantees settlement of the amount thus instructed to be paid to the Merchant's Acquiring Bank.

iDEAL transactions are identified by means of the iDEAL logo, which is a registered trademark.





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2.2 The iDEAL brand

iDEAL is a registered trademark of Currence iDEAL B.V. The iDEAL brand is used, among other things, to identify the online payment medium going by that name both for marketing purposes and in use. The iDEAL brand may only be used in connection with the related activities and strictly according to the terms of a Licence Agreement entered into with Currence iDEAL B.V. for that purpose.

2.3 Purpose of the iDEAL product

The iDEAL product provides Customers who have access to internet banking with a way of making iDEAL payments that are debited to the associated current account. For issuing banks, the iDEAL product means that they can offer their Customers a fast and straightforward alternative to other means of making online payments. The iDEAL product allows Merchants to enable their Customers to make online payments using their familiar internet banking system. For acquiring banks, the iDEAL product means that they can provide Merchants with a way of reducing the risks associated with handling other methods of online payment using an application that is swift, secure and simple in operation.



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3 Licence and Certificate structure

Institutions wishing to enter the iDEAL payment market must obtain a Licence or a Certificate¹ from Currence iDEAL B.V. Institutions wishing to perform the role of Issuing Bank and/or Acquiring Bank require a Licence. Institutions wishing to provide support services in upstream markets on behalf of a Licensee in relation to iDEAL payment transactions may obtain a Certificate, provided they comply with the rules for the activities concerned. The following section of these general notes (Section 4) explains how to obtain a Licence or Certificate.

Currence iDEAL B.V. has adopted a uniform set of rules, the Rules & Regulations, which are to be adhered to by every Licensee. The R&R contain among other things rules covering all critical activities relating to the iDEAL payment product. The rules relating to the use of the iDEAL brand are laid down in the Branding Manual. As regards the activities covered by the R&R rules, a distinction is made between the issuing domain and the acquiring domain. The issuing domain briefly comprises all activities relating to the authorisation by an Issuing Bank² of online payments made using an internet banking system and the processing of payments on behalf of Customers in order to enable a Customer to make iDEAL payments. The acquiring domain comprises all activities relating to the acceptance and processing of iDEAL payments by an Acquiring Bank on behalf of a Merchant.

Within each domain, the above critical activities are grouped into separate roles. The R&R itemise the individual roles in each domain and the activities involved in performing those roles.

Licensees are under obligation to conform to all the standards applicable to the acquiring or issuing domain. As already mentioned, there are a number of roles in each domain (as defined in the iDEAL Rules & Regulations section) and a number of activities are linked to each role. Unless they are directly linked to a Licence, it is necessary to obtain a Certificate in order to perform the various activities (linked to a specific role). If a Licensee performs such activities itself, it is the Licensee's responsibility to obtain a Certificate for those activities. If a Licensee subcontracts those activities, the contracting organisation will require a Certificate from Currence iDEAL B.V. for the role concerned plus the associated activity or activities. Licensees may only subcontract activities to certified organisations. Certificate Holders can be certified to perform one or more (or all) of the activities associated with a specific role. It is the Licensee's responsibility to ensure that all the activities in a particular domain are covered.

Licensees enter into contracts with Merchants and Customers for use of the iDEAL product on their own terms and conditions. In signing such contracts, however, Merchants also undertake to comply with the agreed conditions for the iDEAL product.

¹ iDEAL does not currently involve any roles requiring a Certificate so there is in fact no contracting of activities to Certificate Holders.

² Individual iDEAL transactions are cleared by or on behalf of the Issuing Bank, which therefore guarantees the transaction.



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3.1 Acceptance and acceptance regulations

A Licence is obtained by entering into a Licence Agreement with Currence iDEAL B.V. A Certificate is obtained by entering into a Certificate Agreement with Currence iDEAL B.V.

To qualify for a Licence Agreement or a Certificate Agreement, an Institution must demonstrate that it satisfies the acceptance standards for the role which it wishes to perform as part of the iDEAL payment product. This requires the institution to successfully complete the acceptance procedure in accordance with the Currence iDEAL B.V. Acceptance Regulations. To begin the acceptance procedure, the institution must sign and return the completed Application Form to Currence iDEAL B.V. Currence iDEAL B.V. will then send the institution a documentation set, including the R&R.

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4 iDEAL Rules & Regulations

4.1 General

The '*iDEAL Rules & Regulations*' lay down all the requirements to be satisfied by Licensees and Certificate Holders relating to the critical activities.

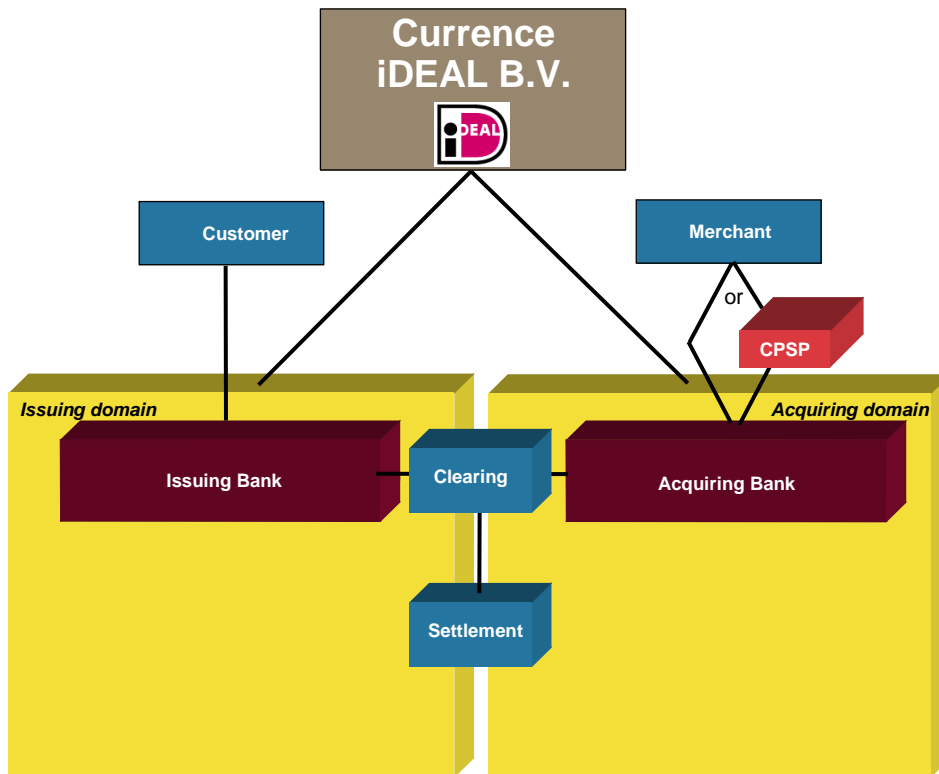
4.2 Starting points

The individual requirements laid down in the iDEAL R&R have the following starting points:

- the legislation based on the European Payment Services Directive of 13 November 2007;
- rulings by the Nederlandsche Bank (DNB), in particular the 'Controlled Operations' requirement pursuant to the Financial Supervision Act (WFT), as contained in the Order-in-Council (AMvB) under Part 3 of the WFT entitled 'Decree on Prudential Rules for Financial Undertakings' (AMvB 5), Bulletin of Acts, Orders and Decrees 2006, 519' and supervision standards;
- the Core Principles for Systemically Important Payment Systems (CPSS), containing standards drawn up by the G-10 countries and adopted by the European Central Bank in January 2001;
- independent and objective analysis of the iDEAL R&R, including market consultation, as part of the formal ratification of these R&R.

4.3 System of roles

Underpinning the iDEAL R&R is the system of separate roles developed by Currence iDEAL B.V. This is the system used for online payments using iDEAL. The following diagram shows how the roles are organised.



The diagram shows the various roles involved in iDEAL payment transactions, for which these iDEAL R&R lay down specific requirements. The iDEAL R&R also contain a description of the individual roles and their interrelationships. The following section provides a brief description to explain the system. No rights may be derived from this brief description.

4.4 Role descriptions

Currence iDEAL B.V.

Currence iDEAL B.V. is owner of the iDEAL payment product and registered user of the iDEAL trademark and, in that capacity, lays down standards for the iDEAL product. Currence iDEAL B.V.'s responsibilities have already been described in Section 2.

Issuing Bank

This is the role which an Institution whose business it is to acquire redeemable funds outside a restricted circle from other than professional market parties and to grant credit for its own account and which has obtained a licence in accordance with the statutory and other rules and regulations currently in force is able to perform (when duly licensed). The role involves responsibility for the entire issuing domain with regard to iDEAL payment transaction activities relating to internet banking products issued by said bank. The Issuing Bank is responsible for the guaranteed transfer of funds to an Acquiring Bank in respect of payments made by a Customer (customer of the Issuing Bank) to a Merchant (customer of the Acquiring Bank concerned). As regards the processing of payments (clearing and settlement) between Issuing Bank and Acquiring Bank, it is up to the institutions concerned to arrive at mutual agreements.

Customer

A Customer is a person having a current account with an Issuing Bank and access to an internet banking product provided by that Issuing Bank through which it is possible to make iDEAL payments. Currence iDEAL B.V. does not impose any requirements with respect to Customers.

Acquiring Bank

This is the role which an Institution whose business it is to acquire redeemable funds outside a restricted circle from other than professional market parties and to grant credit for its own account and which has obtained a licence in accordance with the statutory and other rules and regulations currently in force is able to perform (when duly licensed). The role involves responsibility for the entire acquiring domain with regard to iDEAL payment transaction activities relating to Merchants served by said bank. The Acquiring Bank is responsible for the guaranteed transfer of funds to a Merchant in respect of iDEAL payments made by a Customer to a Merchant (customer of the Acquiring Bank concerned). The Acquiring Bank enters into agreements with the Merchant concerning the processing of iDEAL payment transactions on the Merchant's behalf. As regards the processing of payments (clearing and settlement) between Acquiring Bank and Issuing Bank, it is up to the institutions concerned to arrive at mutual agreements.

Collecting Payment Service Provider (CPSP)

A CPSP refers to an Institution whose business is to provide professional services connected with the settlement of iDEAL payments made to a Merchant, on its own account and at its own risk, thereby performing the role of intermediary between a Merchant and the CPSP's bank (when in possession of the appropriate certificate). A CPSP (as non-Licensee) is only permitted to offer iDEAL payment transaction services to Merchants if it has concluded an 'iDEAL Product Usage Contract' with an Acquiring Bank licensed by Currence iDEAL B.V.

N.B. An e-wallet provider is **not** a CPSP.

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E-wallet provider

An e-wallet provider is a provider of financial services in which it is **absolutely clear** to consumers that they are placing funds in an e-wallet. Another essential feature is that the funds concerned remain at the disposal of the consumer after the e-wallet has been loaded.

Using the e-wallet, consumers are then able to buy products or services by means of a separate transaction that is clearly distinguished from the loading transaction (e.g. involving a separate, second authorisation). In other words, loading of the e-wallet and payment for a product or service using the e-wallet must always involve two or more separate transactions, one after the other. The funds must not be transferred directly from the e-wallet to a Merchant (using a single authorisation).

By contrast, variants other than the standard application of the e-wallet functionality described above, particularly those in which ownership of the transferred funds passes to an intermediary and they are no longer at the consumer's disposal, are considered by Currence to be a CPSP activity and, in that case, the intermediary concerned should be certified as a CPSP by Currence iDEAL B.V.

Merchant

A Merchant is an entity that has contracted arrangements with an Acquiring Bank in order to be able to accept iDEAL payments.

Clearing

This is not in fact a role but an activity. It has only been included in the system of roles for the sake of clarity. Clearing takes place under bilateral agreements between Licensees and forms the basis for settlement with the central bank.

4.5 Structure

The R&R follow the same structure as the system of roles, with a set of requirements defined for each separate role.³ These requirements are divided into requirements of a general organisational nature and requirements relating to the process involved in the specific role. This process comprises the various critical activities together making up the complete role. The process-related requirements are in turn divided into quality requirements and, where necessary, additional detail requirements of a more operational nature.

All the requirements are specifically identified in the documentation and explanatory notes are included where appropriate.

³ Although the system of roles and the various agreements may refer to licensed roles and certificated roles, the iDEAL product does not currently involve any roles requiring a Certificate.

5 Definitions

The Licence Agreement and the Certificate Agreement (of which the Rules & Regulations form an integral part) make use of numerous terms with defined meanings. For a proper understanding of the contracts, it is important to be familiar with the definitions of these terms. The 'General Rules & Regulations' of both the Licence Agreement and the Certificate Agreement contain the definitions, in alphabetical order.



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6 Process descriptions

The following paragraphs provide a brief description of the processes associated with the roles defined in the R&R. It is, of course, possible for a given institution to perform one or more roles, as indicated in the R&R. Similarly, a given role may be performed by one or more institutions. These descriptions do not pretend to be in any way exhaustive and serve only to give the basic picture.

6.1 iDEAL payments

Before Customers can make iDEAL payments, they have to have a current account plus an internet banking facility and Merchants have to have a web store which gives iDEAL as one of the payment options.

At the checkout on the Merchant's website, Customers simply select iDEAL as payment method and then select their Issuing Bank. This opens the familiar internet banking application of their Issuing Bank with the relevant details of their purchase (amount, payee) already entered automatically by the Merchant's system. Customers then authorise the payment to the Merchant in the usual manner, whereupon an irrevocable transaction is completed. After this the Customer is redirected to the Merchant's webstore (if desired), and the merchant is able to request the payment status.

The Issuing Bank debits⁴ the Customer's account and the Acquiring Bank then credits the Merchant's account. Settlement between Issuing Bank and Acquiring Bank takes place via DNB, using transaction details supplied by the clearing process.

⁴ Generally debit first, then credit, but iDEAL leaves this up to the Issuing Bank.