



Currence Annual Report 2022

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Currence Profile



Currence is the proprietor of a number of Dutch payment products: **iDEAL**, **Acceptgiro**, **eMandates (Incassomachtigen)**, and **iDIN**. The aim is to maintain high standards of quality, efficiency, and security for their uniform payment products.

The main objective of Currence is to promote competition and transparency in the payment systems of the Netherlands. Currence establishes objective rules for its payment products in consultation with all relevant stakeholders.

Currence issues licenses and certificates to established players and new entrants that comply with these rules and wish to offer Currence payment products to their customers or provide support services.

To ensure the quality and security of its products, Currence supervises the compliance of market parties with its rules and regulations. Additionally, Currence collaborates with all stakeholders to prevent fraud. Currence provides public information and brand promotion based on market research and positions its payment products as secure, convenient, and efficient.

The payments market is dynamic and subject to fast-paced internationalization and technological advancements. The policy and development of Currence's payment products are based on changing markets and customer requirements.

Currence is an independent organization with a governance that ensures its autonomy. It was formed in 2005 as a result of an initiative by eight Dutch banks to promote greater transparency and competition in payments, following the recommendations of the Wellink Commission in 2002.

The formation of Currence created a new market model in Dutch payments, separating product ownership and regulation from transaction processing.

Report of the Supervisory Board



The Supervisory Board advises the Executive Board, monitors its policies, and supervises policy execution. The Board operates in the interest of the company, individual licensees, and certificate holders, while maintaining Currence's independence and considering the interests of society at large. This approach ensures that the interests of all stakeholders are taken into account.

In 2022, the Supervisory Board convened eight times, in addition to several informal interactions with the Executive Board, management team, and shareholders. The Supervisory Board also organized a meeting with various employees for an informal exchange of ideas. Key topics discussed over the past year included the iDEAL 2.0 program, EPI's interest in acquiring iDEAL and the future of iDIN, especially in relation to the shareholders' eID strategy. The Supervisory Board closely monitored the operational, financial, risk, and commercial performance of the company and met regularly with the finance team to discuss budget realization.

The Board is pleased with the steady progress in developing and implementing the new iDEAL system. Significant advancements have been made to provide various actors in the payment landscape with enhanced experiences while maintaining the highest security and reliability standards.

The new technology enables further expansion of iDEAL with new services and partners, both domestically and internationally. iDEAL's strength is also acknowledged on an international level.

The Council is delighted with EPI's acquisition of iDEAL, making iDEAL a building block for European payments.

iDIN is also progressing positively. The Executive Board and Supervisory Board will explore further opportunities in this growing electronic identification market in 2023. For more details, please refer to the Executive Board's report.

The Supervisory Board is pleased with the development of the new organizational model, which is evolving into a more innovative and commercially-focused organization.

Significant progress has been made in the areas of risk management and internal controls, primarily through the implementation of the Currence Control Framework under the guidance of the management team.

The Supervisory Board closely monitored the operational, financial and commercial performance of the company and met regularly with the finance team to discuss budget realisation. The Supervisory Board also oversaw the design and operation of the risk framework.

Report of the Supervisory Board



The company's annual accounts for the financial year spanning January 1st, 2022, to December 31st, 2022, are included in this report. The Executive Board prepared the annual accounts, and after an audit by BDO Audit & Assurance B.V, they were discussed by the Supervisory Board with the Executive Board.

The consolidated result is €1,362k. In accordance with the Executive Board's proposal and the provisions in the Articles of Association, we recommend adding this result to the company's Other Reserves.

Currence iDEAL B.V.'s individual result will also be added to its Other Reserves. The company results of Acceptgiro B.V., Currence Incassomachtigen B.V., and iDIN B.V. will be allocated to their respective Other Reserves. The relevant 'lettered' shareholders of Currence Incassomachtigen B.V. and iDIN B.V. will be asked to contribute an additional share premium payment, proportional to their interest in the company.

Lastly, the Supervisory Board would like to express its appreciation for the dedication and efforts of the Executive Board and staff in performing their duties.

*Amsterdam, April 26th, 2023
On behalf of the Supervisory Board,*

Vincent van den Boogert, Chair

Report of the Executive Board



In 2022, Currence focused on empowering its organization by strategically hiring new employees for essential, forward-thinking roles, with the nearly completed development of the iDEAL platform in mind. Our aim was to harness the expertise, skills, and innovation of these individuals to strengthen our adaptability and resilience in a rapidly evolving business landscape.

By emphasizing these new positions, we effectively bridged the gap between traditional roles and emerging needs. This investment in talent demonstrated our commitment to bolstering internal capabilities and creating a vibrant environment that promotes creativity, growth, and long-term success for all stakeholders.

Our approach improved collaboration and communication across various departments, allowing the organization to adjust its business model sustainably and become ready for the future. The innovation of the iDEAL product and the expansion of its in-house infrastructure (iDEAL Hub) required new activities and related functions within the organization. To address this, we hired several new employees to support emerging areas such as information security, risk management, and data processing.

We structured the internal organization according to the three lines of defense model, separating duties and clarifying responsibility and accountability for different functions in proportion to our organization's size. In addition to subject expertise, we focused on integrating new employees into the

existing organization through a culture program to enhance internal collaboration and performance.

The infrastructure expansion led to the creation of the Currence Control Framework (CCF), which comprises 16 domains centered on security, risk, and compliance policies and procedures. The CCF ensures that we maintain control over the iDEAL Hub, safeguarding its availability, integrity, and security. Based on international standards and frameworks such as ISO, NIST, and COBIT, the CCF has been customized to meet our needs. An independent ISAE 3000 type I audit confirmed that the CCF's controls accurately represent the iDEAL (IT) architecture, supporting processes, and organization. Technical controls have been validated through penetration tests. Furthermore, the innovations in the iDEAL product have been assessed through defined risk management processes to enable transparent decision-making that balances risk and reward.

These strategic initiatives and organizational improvements have yielded positive results, and we are proud to report that Currence achieved a positive financial outcome in 2022. This accomplishment serves as a testament to our commitment to sustainable growth and long-term success for our organization and stakeholders. As we continue to build upon this solid foundation, we look confidently into the future, ready to embrace new opportunities and challenges that lie ahead.



iDEAL

Products

iDEAL



Continued Growth for iDEAL as Dutch Online Payment Favourite

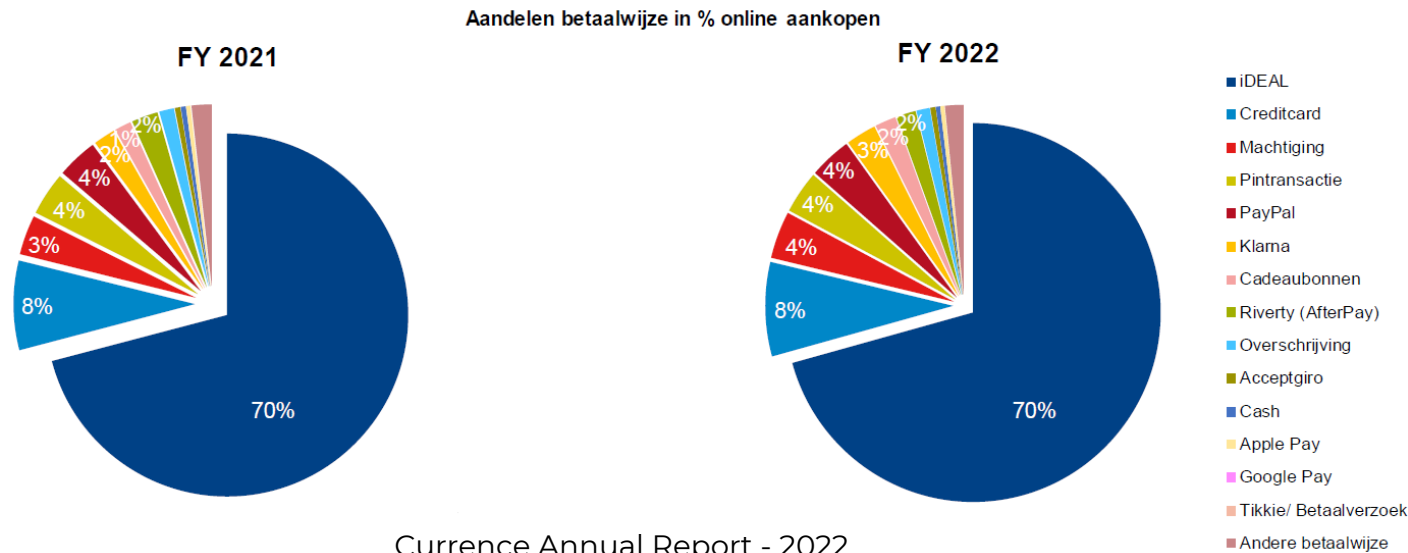
In 2022, iDEAL experienced another year of growth, despite a 5% decrease in e-commerce purchases in the Netherlands. The iDEAL transaction volume increased by 7.9% to 1.233 billion transactions. A new record was set for peak transaction volume on a single day, with 6.1 million payments successfully processed on Black Friday.

The market share of iDEAL as a payment method for Dutch e-commerce purchases remained stable at 70%, consistent with the last two years.

In Dutch e-commerce, the number of iDEAL payments

decreased by 6%. However, other iDEAL use cases, such as business and consumer-to-consumer payment requests, charity donations, and payments for paper and digital invoices, more than compensated for this decline in transaction volume.

To maintain iDEAL's position as the leading payment method, a new iDEAL has been developed, featuring a centralized technology platform and an iDEAL profile. The launch of the new iDEAL will support even more use cases in consumers' day-to-day lives, thanks to improved payment convenience, new checkout services, and new (to be developed) payment options.



Products

iDEAL



Growth of the iDEAL Ecosystem

The iDEAL scheme comprises several roles: acquirers (business) and issuers (consumer), which are both licensees, CPSPs (resellers of iDEAL that also offer value-added services to businesses), and C2C providers. The latter two are both certificate holders.

In 2022, the number of merchants offering iDEAL increased by 63.8% compared to 2021. The total number of iDEAL merchants in 2022 rose to 349,032, with 300,318 merchants based in the Netherlands and 48,714 located abroad.

In 2022, Currence certified one Acquirer, CM Payments B.V. (CM.com), and one CPSP, Boku Network Services. Moreover, all Issuers and Acquirers began their re-certification for the new iDEAL. No new Issuers or C2C Providers were certified.

Three CPSPs terminated their iDEAL certificate agreements due to mergers or business closures. One Issuer ended its banking activities and consequently terminated its iDEAL license agreement as well.

Two C2C Providers did not launch their iDEAL C2C service and terminated their iDEAL accreditation agreements.

iDEAL Availability in 2022

The matrix below displays the weighted average of iDEAL availability for iDEAL Issuers and Acquirers in 2022.

Weighted Average	Prime Time 06.30 to 01.00 CET	Non-Prime Time 01.00 to 06.30 CET
Issuers	99.77%	99.44%
Acquirers	99.97%	99.93%
Norm	99.88%	98.50%

Products

iDEAL



The new iDEAL

In 2022, the iDEAL team made substantial progress in extending iDEAL. Together with the technical supplier Payconiq and iDEAL stakeholders, including licensees and certificate holders, the first steps towards the new platform were taken. After using 2021 for designing and developing the solution and creating the implementation strategy, the rollout began in 2022!

Transition to the new iDEAL Technology

Starting from May 2022, the migration to the iDEAL Bridge commenced, and within two months, the migration was successfully completed. As a result, all transactions are routed via the iDEAL Bridge since then. This rendered the bilateral connections between each Issuer and Acquirer in principle idle, only being used in case of fallback.

In October 2022, the first parties began using the new iDEAL Hub as the second step in implementing the new iDEAL. After a successful friends-and-family test, the first issuer started processing transactions via the iDEAL Hub. With the Volume Control Mechanism, the issuer was able to do this in a controlled manner.

The implementation of the new iDEAL follows a structured process with different releases. For each release, parties undergo a predefined test and certification process. Technical stability and availability of the iDEAL platform are the main priorities for the iDEAL Implementation team, resulting in a gradual and controlled migration of transactions without downtime for consumers.

Rollout in the market

The market roll out with the market adoption strategy was designed in 2022. After initiating the communications framework, the selection of the marketing agency started.

Product Development

The design of the new iDEAL (the MVP) was finalized in collaboration with the complete ecosystem. To support development, continuous gathering of customer feedback was executed in various forms, such as:

- 1. Consumer interviews with visually impaired people;*
- 2. Merchant interviews about iDEAL Pay Fast, based on customer recognition at the merchant (user token) and iDEAL Checkout. The received input was translated into change requests to achieve the desired refinement.*

To further enhance the value proposition of iDEAL, the Value-Added Service squad designed an innovation methodology to prioritize, validate, and scale new iDEAL services. Working independently and in partnership with others, the team is determined to launch at least two new value-adding propositions for iDEAL per year. A backlog of all VAS ideas has been created, and a first selection of new VASs has been made.





iDIN

Products

iDIN

Identification and Login with iDIN

Digital identity verification enables users to be identified directly online. Acquirers and digital identity service providers (DISPs) are experiencing a growing need and demand for secure and reliable eID tools such as iDIN, which save customers time and money.

iDIN is the sole identification and login tool in the Netherlands, with immediate access for over 13 million Dutch consumers. It is available to all account holders of the seven banks affiliated with iDIN. Since its introduction in 2016, iDIN has witnessed significant growth in both the number of transactions and merchants using the system.

In 2022, iDIN saw a 54% increase in the number of transactions compared to 2021, totalling 15 million. The number of successful iDIN transactions since its introduction in July 2016 has reached 40 million. The number of merchants has grown to over 300, and there are currently 13 certified DISPs. These service providers, in addition to acquirers, can assist businesses in integrating iDIN into their websites. iDIN continues to possess strong growth potential.

iDIN's user groups

iDIN allows consumers to identify themselves with organizations, log in, and verify their age. The majority of iDIN transactions involve online identification for various purposes, such as onboarding for insurance policies, mobile subscriptions, and mortgages, purchasing football tickets, and requesting credit registrations online.

The remaining transactions primarily involve logging in to personalized online accounts, while a small percentage is used for age verification by businesses like online lotteries, e-cigarette vendors, and online liquor stores. In 2022, most transactions occurred in the financial services, gaming and gambling, insurance, and mortgage sectors (i.e., organizations that need to comply with the Wwft).

iDIN QR: Simplified Login and Age Verification

iDIN can also be used through a specific QR code. By scanning the iDIN QR code, consumers can log in more easily. Additionally, it can be used in physical environments, such as performing age checks during the delivery of age-sensitive items to a consumer's doorstep.

iDIN for Digital Signing

Besides identification, login, and age verification, iDIN is also utilized for digitally signing documents online. Consumers can use their bank's login tools to identify themselves for the purpose of signing documents digitally. Merchants interested in using iDIN Signing must purchase the service from a DISP that has a specific certificate for providing signing services. Only a certified DISP can offer its business customers the ability to integrate iDIN Signing on their websites. The first three DISPs have been certified.

In 2022, banks offering SEPA Direct Debit started accepting authorizations for SDD signed via iDIN Signing.



Products

iDIN

eIDAS 'Substantial' Independent Assurance Letter

iDIN provides identity establishment and authentication at the eIDAS 'substantial' level. Not only are the iDIN standards and rules designed in accordance with eIDAS 'substantial', but they are also more detailed and specific than the eIDAS standard. The standards offer additional guidance for demonstrating compliance with eIDAS regulations.

Currence regularly consults with reputable and independent external parties, implementing necessary measures to further enhance the certification and audit process. EY Advisory Services has issued a statement confirming that the iDIN Rules & Regulations, as well as the validation of the implementation of the Scheme requirements at Scheme members, meet the eIDAS reliability level 'Substantial'.

Brand Awareness

Assisted brand awareness among consumers of iDIN (including a description and its logo) has remained stable at around 32%. Brand awareness growth takes time and requires frequent consumer engagement, although the increasing number of merchants does help. Consumers are more familiar with various iDIN applications, and user satisfaction has significantly improved compared to last year.





eMandates

Products

eMandates



The eMandate scheme, Incassomachtigen, is managed by Currence on behalf of the Dutch banks.

eMandates allow customers to issue valid direct debit mandates online for payees (companies offering eMandates to their customers) to execute periodic or one-time direct debits from their payment accounts. A paper signature is not necessary. Consumers or business customers issue this direct debit authorization online through their bank's trusted internet or mobile banking channel, similar to an iDEAL payment. eMandates provide a secure, fast, and simple direct debit authorization process.

There are two types of eMandates:

1. Standard eMandates for the private market

In the private market, the benefits of eMandates include certainty that the mandate has been issued by an authorized person, recognition of the mandate by the bank, and the correct use of the IBAN for direct debits. This increases the likelihood that the first eMandate with a new customer will be successful.

2. Business eMandates for the commercial market.

Additionally to the benefits for the private market, businesses avoid the risk of customers reversing their eMandates (also known as reversals) up to 13 months after the transaction is completed, as European regulations limit this period to eight weeks.

When using the business version of eMandates, the authorization is issued entirely online and registered automatically at the payer's bank. Both the payer and payee simply need to complete this process for successful registration. This saves time and reduces the risk of errors, resulting in an increased number of successful business eMandates, which cannot be reversed.

Nine licensees offer eMandates to the market, enabling their private and business customers to issue an eMandate online. Additionally, 14 licensees provide eMandates to business customers. There are 27 accredited mandate service providers, responsible for the technical integration of payees with various credit institutions. The eMandates scheme also defines the role of a routing service provider, which is responsible for routing transaction messages between credit and debit institutions. EquensWorldline is the only certified organization for this purpose.

In 2022, over 1,050,000 eMandates were issued, reflecting a 23% increase compared to 2021. Since the introduction of eMandates in 2016, nearly 4.3 million direct debit authorizations have been completed successfully. The number of active payees (companies offering eMandates to their customers) grew by more than 15% in 2022, increasing from 637 to 733.

Acceptgiro

Products

Acceptgiro



As mentioned in the 2021 annual report, Currence's management announced on November 1st of that year that the Acceptgiro product would be withdrawn from the market starting June 1st, 2023, due to the continuous decline in the usage of the well-known yellow Acceptgiro form over the past years. This means that from March 1st, 2023, consumers will hardly receive any new Acceptgiro forms, and they will not be processed after May 31st, 2023.

The year 2022 was the last full year in which payments could be made using Acceptgiro in the Netherlands. As in 2021, the number of Acceptgiro transactions fell sharply, by nearly 31%. By the end of 2022, most registered Acceptgiro distributors either did not send any (or significantly less) new Acceptgiro forms to their customers. Furthermore, about 1,800 Acceptgiro distributors terminated their Acceptgiro contracts with their banks prematurely. As a result, only 3.1 million payments were made using the yellow Acceptgiro form in 2022.

The year 2022 focused on discussions with licensees and other stakeholders to facilitate a responsible and controlled phase-out. Licensees and certificate holders, such as printer and service bureaus, were informed about the (approaching) end dates, indicating when Acceptgiro could still be actively used. During frequent stakeholder consultations, it was repeatedly confirmed that many Acceptgiro distributors promptly switched to other efficient payment methods throughout the year, including European direct debit, iDEAL QR code, and the standard Payment Instruction.

Banks provided frequent tailor-made advice and written information in this regard. Additionally, a specific paper alternative in the form of a single direct debit mandate was developed in cooperation with the charity sector. If desired, charities will be able to use this paper direct debit alternative for their fundraising efforts starting early 2023. This initiative, alongside with generic Payment Instruction and/or bank-specific transfer forms, also enables vulnerable groups in society to continue paying with paper forms.

During meetings with the Maatschappelijk Overleg Betalingsverkeer (MOB) and its working groups, progress reports on the discontinuance of Acceptgiro and other relevant aspects were discussed and explained as necessary or desired.

Up-to-date information on the discontinuance of Acceptgiro and its available alternatives were provided on various websites, such as www.acceptgiro.nl. Free images were also shared with Acceptgiro distributors, allowing them to inform their customers about the discontinuance of Acceptgiro.

The coordination of the discontinuance was carried out by Betaalvereniging Nederland at the request of Currence. Currence is grateful to Betaalvereniging for their excellent management of the process.



Financials

Financials



2022 results and outlook 2023

The financial data includes Currence Holding B.V. and its group companies.

The net result for 2022 is 1,362,000 euros. The consolidated balance sheet total amounts to 41 million euros and shareholders' equity reached 36 million euros at the end of 2022.

The forecasted consolidated result for 2023 is 1 million euros.

With the iDEAL 2.0 program we reached the planned 2022 milestones including establishment and connection of all parties to the iDEAL hub. As part of these newly introduced iDEAL 2.0 services, Currence introduced a routing fee. This made a substantial contribution to the revenues.

As expected the effect of the Corona crisis on Currence was limited and in line with previous years.

In 2022, the shareholders on iDEAL and EPI Company started talks on EPI's acquisition of iDEAL. This month, these talks, which also involved the Board, have resulted in the signing of a Sale and Purchase Agreement.

The management and Supervisory Board are very pleased with the opportunities that EPI offers for both iDEAL and its employees.

Last but not least, the Executive Board would like to express its appreciation for the way in which the staff has carried out their work and for the way in which they have supported us.



Structure, Organization, and Governance

Structure, Organization, and Governance



Structure of the company

At the time of its establishment, Currence was designed to achieve maximum transparency and flexibility. Currence Holding B.V. has various subsidiaries, in the form of product-specific, private, limited liability companies. Currence Holding B.V. has issued 'lettered' shares to its shareholders (shares A to H). Each type of lettered share is related to a product specific, private, limited liability company.

This structure has several advantages for Currence. For instance, it allows the policy of the uniform payments system and the overall external profile of the company to become more firmly embedded. At the same time, it leaves enough scope for individual shareholders' interests, and for their relevant rights and obligations to be differentiated for specific products. A shareholder does not have to participate in all product-specific, private, limited liability companies.

The interests of shareholders may differ for each product-specific, private, limited liability company. In order to facilitate access of new shareholders, conditions have been established that new (and existing) shareholders must comply with. This creates a transparent market situation for all parties. A non-bank that plays a role in a particular payment product, for instance, may also be an investor in a product-specific private limited liability company. The non-bank may then become a shareholder of Currence Holding B.V., accepting financial risks only for the specific product concerned and having shareholder rights to vote on the long-term policy for that product only. This structure allows different parties to invest in payment innovation.

Legal structure of Currence

Each payment product is operated by a separate private, limited liability company. The product-specific, private, limited liability companies own the rights to the brands and logos, copyrights and other (intellectual) property rights. This also means that these private, limited liability companies are the contracting parties of the licensees and certificate holders and are responsible for issuing licenses and certificates, and for the related (compliance) procedures. The product-specific, private, limited liability companies also have specific financial rights and obligations.

Structure, Organization, and Governance



Management of the organisation

For its internal management, Currence has established an annual planning and control cycle.

In order to provide insight into both the risks associated with the operations and the control of the extent to which the above objectives are realised, Currence produces quarterly and other reports. These partly serve to assess the achievement of the intended objectives and to adjust the business plans as required. If necessary, attention is also paid to absenteeism.

In addition, the development of the budget and any associated risks are analysed and assessed every quarter. Additionally, Currence has developed the Currence Control Framework to be in Control of the new iDEAL platform and to ensure its confidentiality, integrity and availability. An independent ISAE3000 type I audit (d) demonstrated that the controls fairly present the iDEAL (IT) architecture, supporting process and organization. Technical controls have furthermore been validated in penetration tests.

As previously mentioned by the Executive Board, Currence has structured its internal organization in accordance with the three lines of defense model. This approach effectively separates duties and delineates responsibility and accountability for various functions, tailored to the organization's size. By employing this model, Currence ensures a clear and efficient distribution of roles, enhancing overall operational effectiveness and fostering a robust risk management culture within the company.

DNB oversees the regulation of iDEAL as part of its duty to promote security and efficiency in the payment system as iDEAL is identified as critical infrastructure.

Corporate Governance Code

Currence attaches great value to good corporate governance. Currence does not fall within the scope of the Corporate Governance Code but endorses the aims of the Code, achieving a sound and transparent system of checks and balances. Currence follows the principles of the Code to the extent that they apply to its situation.

Independent governance

Operating independently is a prerequisite to Currence being able to fulfil its mission and perform well. Currence's governance structures safeguards its independence. The Executive Board operates independently. No market players whatsoever can influence management decisions concerning the admission of new players to the market (competitors or otherwise). Nor may they exercise any influence that would lead to the unfair exclusion of (potential) market players, or impede innovation.

The independent Supervisory Board advises and supervises the Executive Board. It acts in the interests of the company and its subsidiaries, also taking the shareholders' interests into account.

Structure, Organization, and Governance



As the shareholders themselves operate in the payments market, and with a view to the requirements of free competition, they have no powers regarding Currence's commercial policy, the admission to the market or the Rules and Regulations and product changes, other than their statutory powers.

The General Meeting of Shareholders has specific approval authority in exceptional cases only, where product modifications would entail radical changes, and consequently investments, in the payments infrastructure.

Additional assurance of Currence's independence is provided by the independent possibility of appeal to the Netherlands Arbitration Institute (NAI). Licensees, certificate holders and applicants for admission to the market can appeal to this institute against decisions or sanctions by Currence. No appeals have yet been filed.

Within the framework of its informal approval expressed on 19th April 2005, the Netherlands Competition Authority (NMa, currently ACM) has issued a positive assessment of Currence's governance in relation to the competition requirements. With its independent governance, Currence fulfils a unique role in Europe that has proved its value for the operation and management of the uniform payment systems market.

Role for market players

Currence will consult with market parties before reaching a decision on changing products and/or regulations. Indeed, these changes may directly affect the business operations of stakeholders, especially the operations of licensees and certificate holders. Market consultations and a structural dialogue with stakeholders in the payment chain relating to its products are vital to the effective operation of Currence. This is safeguarded in part by advisory bodies composed of licensees and groups of certificate holders. They represent the customers of Currence.

Furthermore, Currence maintains regular contact with umbrella groups, industry associations and consumer organisations.

