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2025 EUROPE COMMUNITY MEETING

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Payment Facilitators and PCI DSS Compliance

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Agenda

PayFac Overview

Entities & Roles

PayFac PCI DSS Strategies

PayFac Overview

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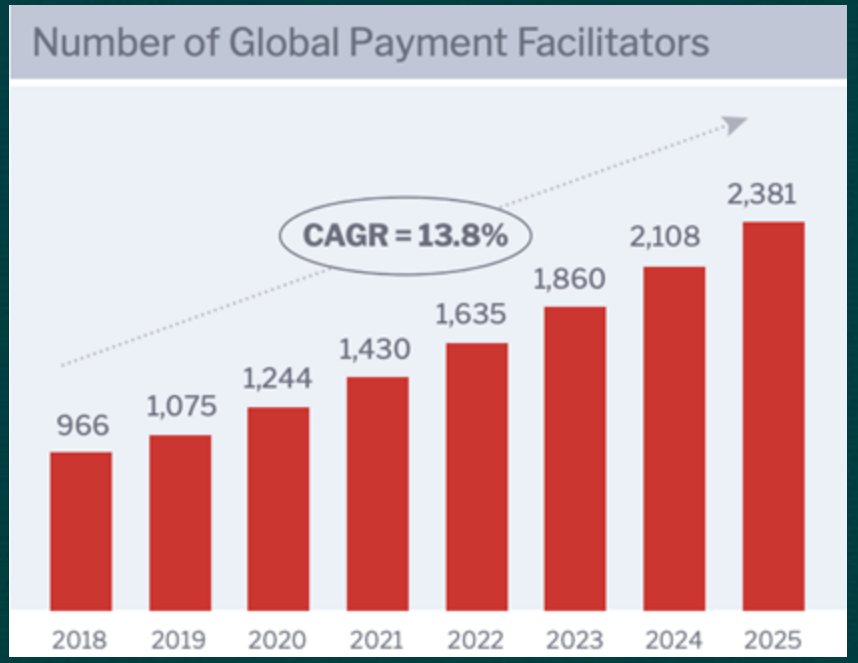
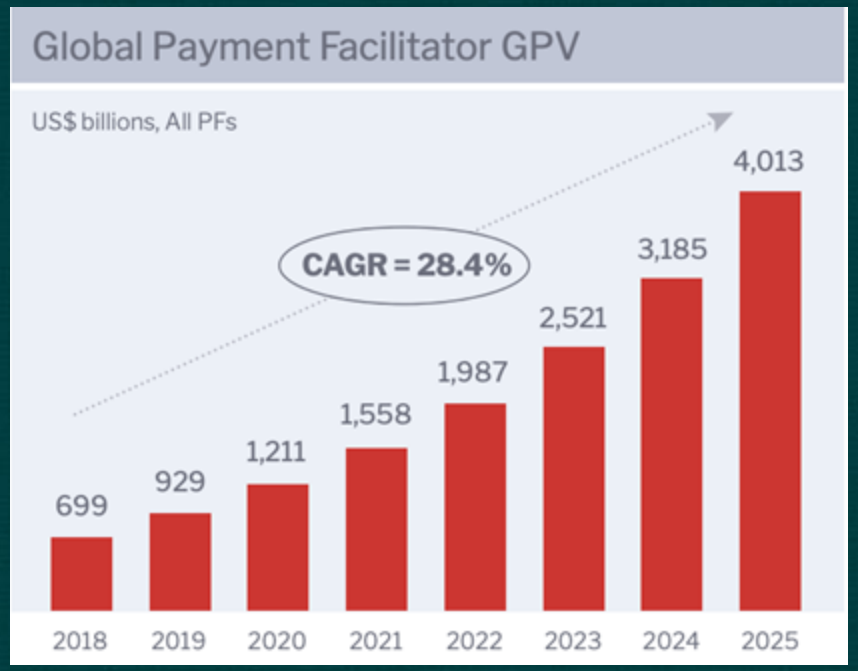
Overview - PayFacs and PCI DSS Compliance

Why this topic is timely and important?

- Growth of the PayFac Model
- Compliance and Security responsibility
- Data breaches, fraud, and non-compliance
- Complexity of modern payments and increasing relevance of the PayFac model





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Evolution of the PayFac Model

Introduction of the PayFac model

- Card networks formalized the PayFac model in their rules in the early 2000's

Examples of PayFacs

- PayPal
- Toast
- SumUp
- Square
- Stripe
- Shopify

PayFac Model vs. Traditional Acquiring Model

- Enables SMEs to accept payments
- Handle the technical, financial, risk and compliance complexities

- Direct relationship with (sub) merchants, friction for SMEs
- **Key characteristics:** Lengthy onboarding, high compliance burden, complex integrations

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Entities & Roles

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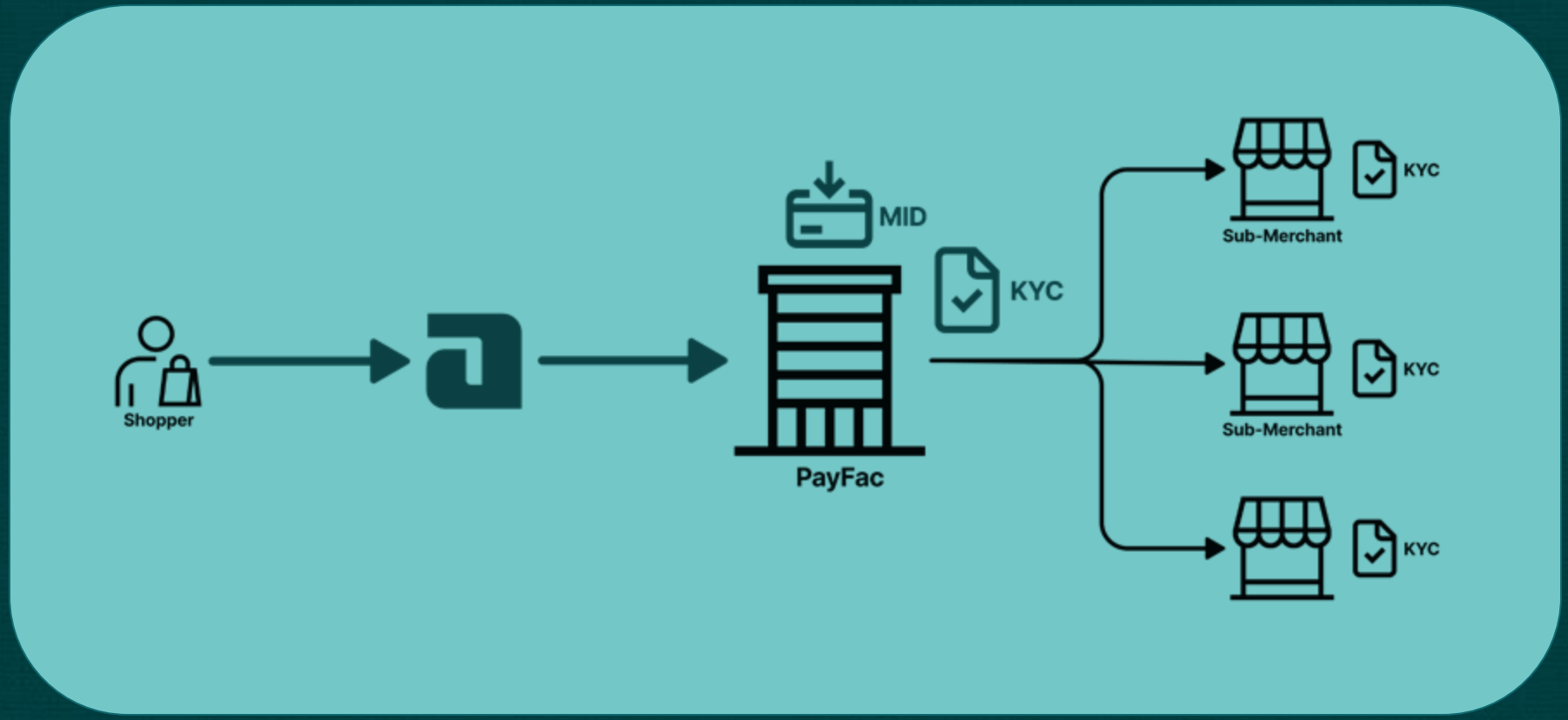
PayFac Ecosystem Relationship Diagram

Cardholder, Acquiring Banks, PayFac, and Sub-merchants



Will the Real “Merchant” Please Stand Up?

Merchant, Master Merchant, Sub-Merchant, Platform Merchant, Original Merchant, Merchant Business, Sponsored Merchant, Direct Merchant, Primary Merchant, Merchant-of-Record (MoR)

- Different meanings in different contexts (banking regulations, PCI, acquirer, individual brands)
- For PCI DSS:
  - Identifying responsibilities is key (12.8, 12.9)
  - Merchant can also be a Service Provider (FAQ 1079)
  - Consult with acquirer and/or brands (FAQ 1473)
- Other PCI programs which defined Merchant (e.g., P2PE) may wish to review glossary definition to reduce confusion

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Marketplaces vs. PayFac

Feature	Marketplace Facilitators	Payment Facilitator
Core Purpose	Platform that enables buyers to transact with multiple sellers.	Entity that enables sub-merchants to accept payments under its master merchant account.
Compliance Responsibility	Varies; may shift PCI DSS and KYC responsibilities to a processor or PayFac.	Directly responsible for PCI DSS, KYC/AML, fraud, and onboarding.
PCI Scope	Often reduced or offloaded if payments are handled by third-party processor.	Full PCI DSS responsibility for its own systems; may reduce sub-merchant scope via hosted integrations.
Examples	Amazon, Etsy, Airbnb, eBay, Uber	Toast, SumUp, Square, Shopify Payments

PayFac PCI DSS Strategies

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PCI Peloton ("Follow the Leader")

PCI SSC

- Manages Standards & Programs

Networks

- Enforce the Standards
- PayFacs register with networks

Acquirer

- Accountable to Networks for PCI DSS Compliance

Master Merchants

- Platform Provider
- PCI Solution Provider
- Sub-merchant Levels
- Accountable to Acquirer for PCI DSS Compliance

Sub Merchants

- Review PayFac AOC and RM
- Meet Applicable Compliance Requirements

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PCI DSS Compliance in the PayFac model

PCI Lifecycle between the PayFac and Acquirer

PCI at the Outset

- Due Diligence
- Must be PCI DSS compliant

PCI at Engagement

- Onboarding
- Integration
- Risk Management

PCI Reporting

- PayFac designates Levels
- PayFac reports to Acquirer
- Acquirer reports to Schemes

360° PCI Compliance

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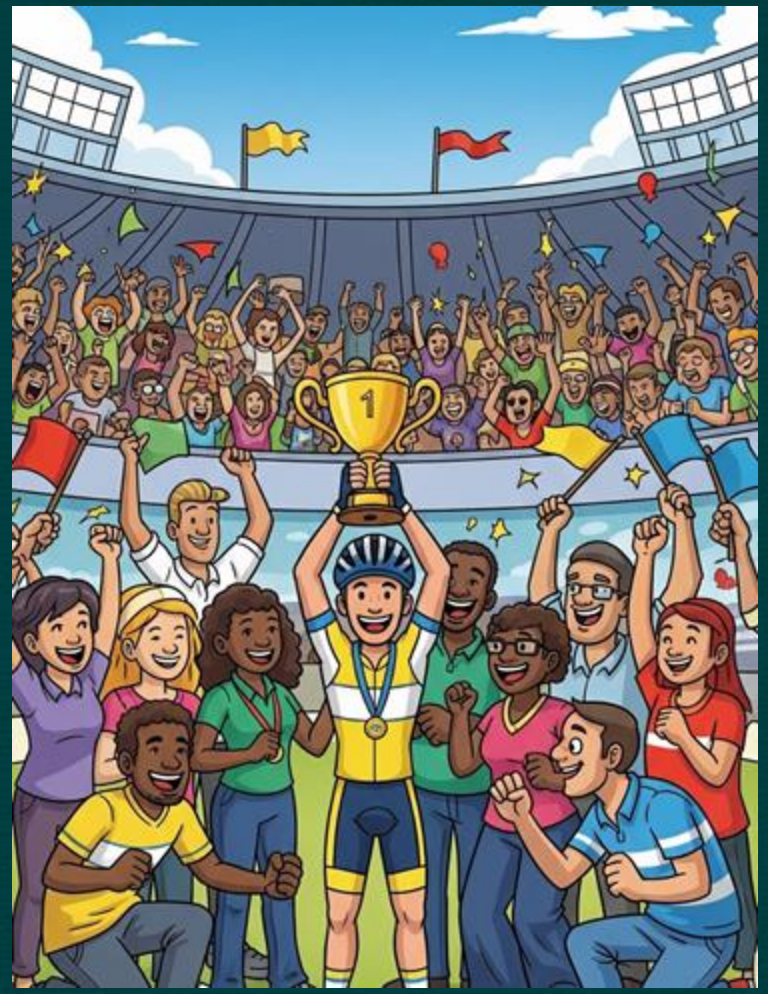
PCI DSS Compliance Best Practices

Winning Together

- Collaborate Closely with Acquirer
  - Aligning on perspectives and risk mitigation
  - Understanding the unique business model
- Shared Responsibility
  - Take ownership of responsibilities for certain PCI requirements
  - Provide clear responsibility matrix
- Scope Impact
  - Toast as a closed ecosystem
  - Provides tools and services to facilitate compliance
  - Other guidance for sub-merchants



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Looking Ahead

The PayFac model will continue to evolve with the payments industry, not a static model.

- Evolution of PCI Standards
- Support for New Marketplace Models
- Changes to Consumer Payment Behaviors
- International Expansion

Thank you

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