HOW TO HAVE YOUR OWN PAYMENT GATEWAY
Introduction ................................................................................................................................. 1
Do I Need My Own Payment Gateway? ..................................................................................... 2
Is A White Label Payment Gateway A Sensible Solution? ...................................................... 4
What Is A True Self-Hosted Payment Gateway? ........................................................................ 5
Is It Possible To Save Money With My Own Payment Gateway? ............................................. 6
How Would I Set Up My Own Payment Gateway? ................................................................... 7
  Contracts with acquirers................................................................. 7
  Customer relationship management................................. 7
  Merchant background verification................................. 7
  PCI compliance........................................................................... 7
  A way to actually process transactions.................. 8
  A merchant funding strategy................................. 8
  Consumer and merchant fraud protection........... 8
How Much Might It Cost To Own A Payment Gateway? .......................................................... 9
Why Are Banking Relationships Necessary? ............................................................................ 10
UniPay Payment Management Platform .................................................................................. 11
Conclusion ............................................................................................................................... 12
EXECUTIVE SUMMARY

Only specific kinds of companies need their own payment gateways, and they need them for specific reasons, like saving on fees, getting a precise set of features and offering services to others. Building a gateway is a complicated but doable process that takes a great deal of time and involves significant upfront costs.

For some companies, a white label payment gateway in a hosted environment may be the best choice. Those who want to build a gateway from scratch, however, can accomplish the task if they understand the costs and complexities involved and understand the vital importance of strong banking relationships.
INTRODUCTION

Does your company really need its own payment gateway? Could a white label solution from an established provider be the best choice? And how does everything work if you want to set up something of your own?

These are among the most commonly asked questions about payment gateways, and sensible answers are available. Just as you must understand how to build your own payment gateway, you must understand whether it is necessary in your unique situation and whether it is the best course of action for you.

In its simplest form, a payment gateway is a way to quickly and easily accept and process customer payments. It is essential that the gateway provides for smooth processing that keeps customer funds and information secure at every step. Payment gateway software costs a significant amount of money to build or license, yet it is essential to the operation of many kinds of businesses.

There are many payment gateway software choices available, and it is possible to build your own. Each of the existing choices has its own list of benefits and shortcomings, and it can be time-consuming and difficult to determine which solution is right for your needs. Building your own payment gateway can be a practical way to get exactly the features you need. Licensing an existing product may make more financial sense, however.

In any case, a payment gateway is more than a complex piece of software. It is a service offering that your business may need for its own purposes or to serve your clients. There are several things you must consider and questions you must ask yourself before making the decision to build your own payment gateway. You may find it is not necessary to entirely reinvent the wheel when you can license white label software, but there are still other steps you must take.

There are many questions that you need to consider when deciding on a payment gateway solution, Build or Buy, Hosting Options, PCI Compliance, Acquiring, Processing and Banking Relationships as well as your individual companies ROI. The remainder of this paper will provide some insight on these questions.
DO I NEED MY OWN PAYMENT GATEWAY?

A self-established payment gateway may be a smart investment for the following types of companies:

- Established billing companies that are looking to replace failing and difficult-to-maintain legacy solutions
- Growing payment service providers that need a more full-featured and robust payment processing solution
- Software companies that want to expand their business by becoming a payment service provider
- Acquiring banks that need better front-end technology

With your own payment gateway, your company may be able to:

- **Save on fees.** There are signup costs associated with outside gateways and fees for every transaction, taking away a portion of your potential profit. With your own gateway, you may be able to reduce your transaction processing costs.

- **Get the precise feature set you want.** Every piece of gateway software created by someone else has limitations. Perhaps a gateway you like cannot handle recurring payments or multi-currency transactions. Maybe the features you need are only available in expensive add-on modules. When you build your own payment gateway, you can create the array of features you need.

- **Offer services to others.** There are no restrictions on being able to offer payment processing services to other companies when you create your own payment gateway. You can serve anyone you like without worrying about violating the terms of your license.
There are some downsides to building your own solution rather than using a solution developed by others, including:

- **Building takes time.** If you need a solution up and running in weeks rather than months or years, choosing a white label payment gateway or open source payment gateway software is the fastest way to get up and running.

- **Building involves substantial costs.** In addition to up-front costs of building a gateway, there are regular maintenance costs. Initial costs are much higher for setting up your own gateway than for choosing an external payment gateway that meets your needs.

- **Integrations and certification are complicated.** In addition to the high costs associated with integration and certification, the process is time-consuming and complicated. Choosing an existing payment gateway means many of the complexities and costs are already covered, but you pay a licensing fee for this convenience and speed.
IS A WHITE LABEL PAYMENT GATEWAY A SENSIBLE SOLUTION?

It makes sense to consider licensing a white label payment gateway before starting the process of building an in-house payment gateway. It can often take years to build a gateway from scratch, but a white label product can be up and running in a matter of months. The cost is lower, and customization is available to ensure that you get exactly what you want.

In many cases, financial institutions prefer this approach as well. Since relationships are already in place between the gateway provider and the banks, your company can benefit from these established relationships rather than having to build your own connections.

White label payment gateways can offer you such a significant cost savings because the costs involved in developing the solution are spread among many customers. And since those other customers also demand reliability, you can be sure the system has dependability and robustness built into it.
It makes sense to consider licensing a white label payment gateway before starting the process of building an in-house payment gateway. It can often take years to build a gateway from scratch, but a white label product can be up and running in a matter of months. The cost is lower, and customization is available to ensure that you get exactly what you want.

In many cases, financial institutions prefer this approach as well. Since relationships are already in place between the gateway provider and the banks, your company can benefit from these established relationships rather than having to build your own connections.

White label payment gateways can offer you such a significant cost savings because the costs involved in developing the solution are spread among many customers. And since those other customers also demand reliability, you can be sure the system has dependability and robustness built into it.

WHAT IS A TRUE SELF-HOSTED PAYMENT GATEWAY?

A true self-hosted payment gateway involves hosting your payment gateway solution on servers that are maintained entirely under your company’s control and on your property. Implementing your own self-hosted payment gateway means:

- Maintaining your own data center
- Having maintenance personnel available at all times
- Dealing with an annual PCI compliance audit

In other words, everything is in your hands. Choosing an outside solution means that server maintenance and the PCI audit are handled by your hosting company. That leaves your in-house staff free to maintain your other critical systems and work on other duties. But your gateway operations are dependent on the quality and reliability of the outside hosting solution in the case of outside hosting.
IS IT POSSIBLE TO SAVE MONEY WITH MY OWN PAYMENT GATEWAY?

That depends. In most cases, savings are only available on large transaction volumes when processing fees total more than the maintenance cost of a gateway. Cost savings may not be the only reason to build your own payment gateway, however, as explained above.

Additionally, it may be possible in some situations to save on maintenance if you’re replacing a cumbersome and failing legacy system that has high costs involved in integrating with modern technology. Keeping staff to support obsolete or out-of-favor programming languages can be expensive.

Finally, some companies can actually make money by switching to a modern payment gateway setup if the switch allows for the ability to serve more customers since you have better technology. For example, quicker and more automated on-boarding can be one way of saving money on each customer and allowing you to take on customers you once believed undesirable because of high administrative costs and low profit potential.
HOW WOULD I SET UP MY OWN PAYMENT GATEWAY?

The terms “payment gateway” and “payment gateway software” are often used interchangeable, as we do in some places in this document. But setting up your own gateway service actually involves much more than just acquiring payment gateway software. Getting all the right pieces in place is the only way to ensure success.

Specifically, there are seven pieces that need to be put in place to become a successful payment service provider or payment gateway service:

1. **Contracts with acquirers.** In addition to providing proof of financial liability, financial statements and other documents, you will have to wait until the acquiring banks decide to integrate with your new system if you do not choose an existing gateway, and that can be months or years.

2. **Customer relationship management.** As a payment facilitator, you will have to have a CRM system in place for managing client information, one of the keys for keeping your complicated business in check. You will also need procedures for new clients, exiting clients and more.

3. **Merchant background verification.** This involves checking the merchant’s credit history and doing additional verifications to make sure the merchant will not bring with it an undesirable level of risk for your company and will have an adequate number of transactions for it to be profitable for you.

4. **A way to actually process transactions.** Done through your gateway of choice, this is the way customer transactions are actually handled. If you choose existing payment gateway software, look for integration with the acquirers that matter most to you.
5. **PCI compliance.** If you plan to become a payment facilitator, you must arrange for Payment Card Industry standards compliance, and this comes from a rigorous and expensive PCI compliance audit. A secure server is a must.

6. **A merchant funding strategy.** Handled through your payment gateway in most cases, this is how your merchants get the money that you have collected for them minus fees.

7. **Consumer and merchant fraud protection.** More than just PCI compliance, this involves a full array of fraud prevention efforts that protect merchants as well as consumers so you that you can maintain security and retain your vital relationships with all parties.
How Much Might It Cost To Own A Payment Gateway?

While a wide range of variable are involved in estimating the cost of owning a payment gateway service, some rough estimates are possible to allow you to begin framing your plan and arranging your funding.

Here are the costs commonly associated with the most expensive aspects of being a payment gateway:

- **Gateway software license**: $50,000 to $250,000
- **Tokenization appliance**: $50,000 to $100,000
- **Annual PCI audit**: $25,000 per year
- **Monthly PCI hosting fee** (based on four servers, two for backup): $3,000-$5,000
- **Bank and processor integrations**: $5,000 to $15,000 each
WHY ARE BANKING RELATIONSHIPS NECESSARY?

Perhaps one of the hardest things to understand about setting up a payment gateway service is the need for banking relationships. Many people mistakenly think that all you need is payment gateway software to establish a gateway. But software is only one piece of the puzzle.

That software must be connected to something. Even if that means connecting to Visa, MasterCard and other associations directly, you still need a relationship with an acquiring bank to settle the funds.

Banking relationships can be difficult to establish because large banks move slowly and sometimes fail to act with the same urgency you desire.
UniPay Gateway is a white label open source payment processing platform which can be utilized by merchants with single and multiple merchant accounts, ISOs, PSPs, billing companies, software providers, etc. UniPay system comprises four modules, UniCharge, UniBill, UniBroker and UniRead which will provide you with functionality required by your business.

UniPay Payment Management Platform:

- has integrations with banks, processors and other payment gateways all around the globe (the USA, Canada, Europe, Australia, etc.);

- supports 3D Secure (for card not-present transactions), EMV, P2PE (for card present transactions) and many other fraud protection mechanisms;

- allows processing card payments (credit, debit, gift cards) and ACH transactions;

- supports the following credit card industries: Retail, Direct Marketing/MOTO, eCommerce, Restaurant, Healthcare, Petroleum, Lodging, Car Rental, etc.;

- provides high quality support.

The choice of UniPay Gateway is the choice of the reliable and flexible payment processing solution which combines sophisticated functionality with the simplicity of usage. It will help you to develop effective payment processing strategy, save on processing costs and consequently, it will make your business more successful and profitable.
CONCLUSION

Knowledge is power, of course, and those armed with complete knowledge about payment gateways are in a better position to determine whether their company can benefit from one of their own. For some companies, existing solutions may continue to serve their purposes well enough. For others, a new and robust payment gateway may solve problems, reduce costs in the long term and open new opportunities.

While this brief paper does not provide a complete explanation of how to build a payment gateway, it may open minds to the questions that must be considered and put readers in the right frame of mind to make the complex decisions that are necessary along the pathway toward choosing or building a payment gateway.

Additional information on how to build your own payment gateway and explanations of many other payment processing industry concepts can be found at Paylosophy blog.
PAYMENT CARD, E-CHECK PROCESSING
PCI COMPLIANCE
INTEGRATION API
MERCHANT PROVISIONING
MERCHANT FUNDING
SUB MERCHANT MANAGEMENT
CHARGEBACK HANDLING
RECURRING BILLING
WEB REPORTING

LEARN MORE ABOUT OUR OPEN SOURCE PAYMENT GATEWAY SOFTWARE AT UNIPAYGATEWAY.COM