1 INTRODUCTION

1.1 WHAT IS PREAUTHORIZATION OF FUNDS?

When a merchant is paid through one of its e-payment channels, a process is initiated to verify and guarantee the debtor has sufficient funds. This process entails ‘holding’ or ‘reserving’ funds on the debtor’s account (be it the credit limit in case of a credit card payment, or the available bank balance in case of a debit card).
The funds are "held" and deducted from the customer's credit limit (or available bank balance, in the case of a debit card), but are not yet transferred to the merchant. At the time of the merchant's choosing, the settlement process is initiated, where the funds are actually transferred from the customers' account to the merchant's account.

1.2 WHY IS THIS NEEDED?

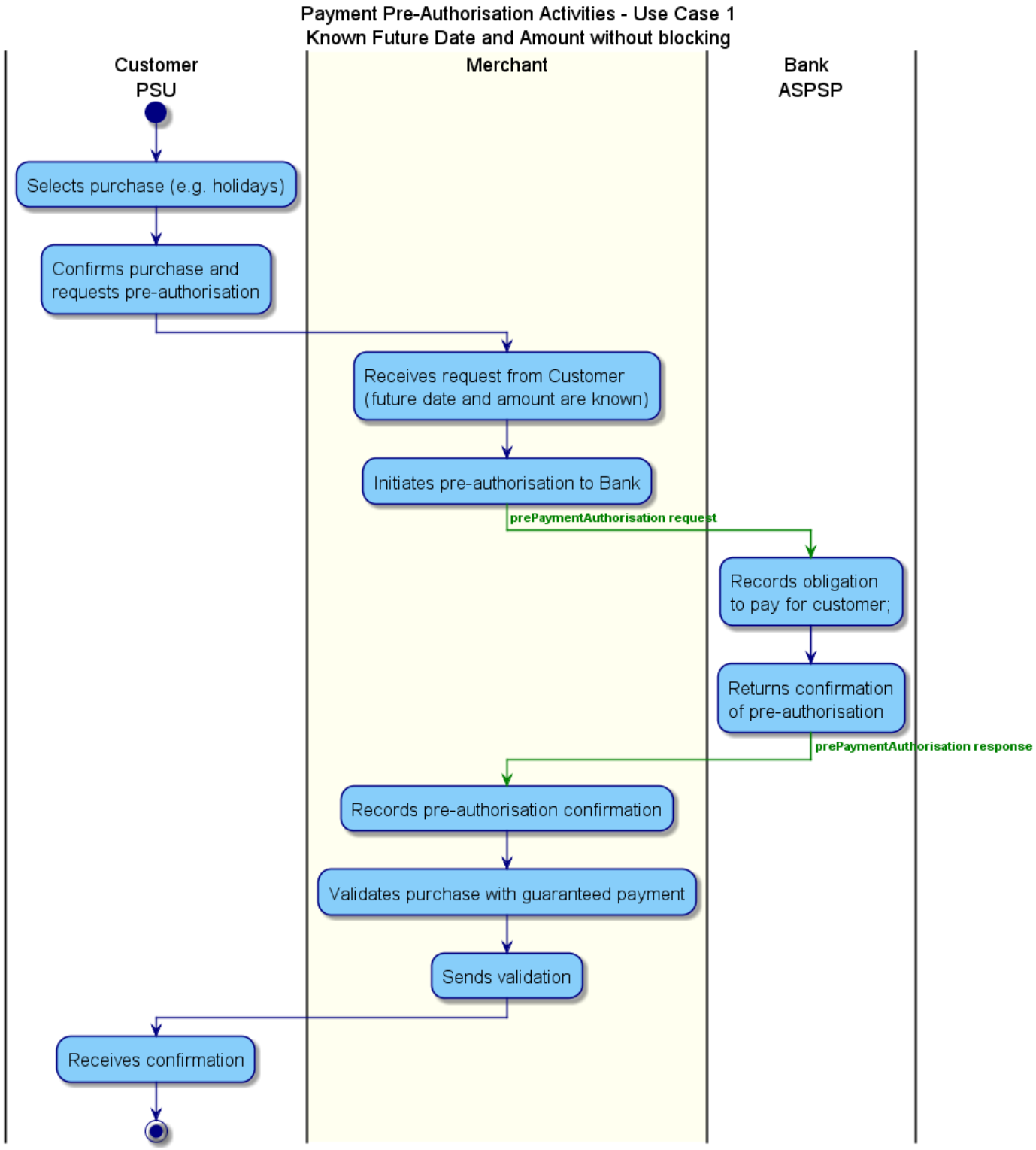
The main reason for preauthorization of funds is because of a two-step process in the payment, consisting of an authorization and a settlement with a time lag in between.

1.3 THE POWER OF MASH UPS USING ISO 20022

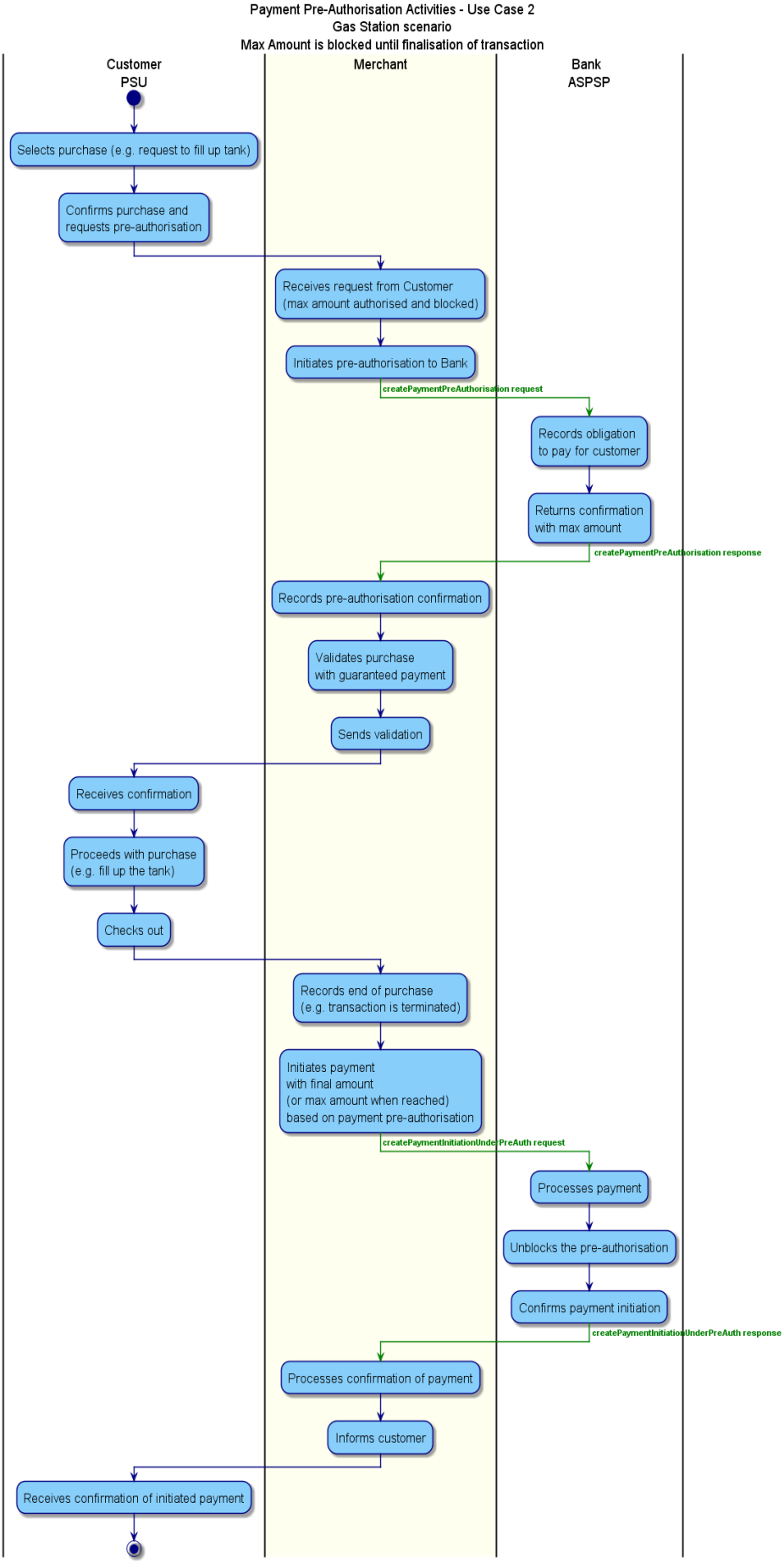
This pre-authorisation API contract is using ISO 20022 components and elements. Other open banking APIs that are also using ISO 20022 components (such as PayLater) can be easily used to create mash ups and more easily integrate with bank’s back office systems that are also based on ISO 20022.

2 PAYMENT PRE-AUTHORISATION USE CASES

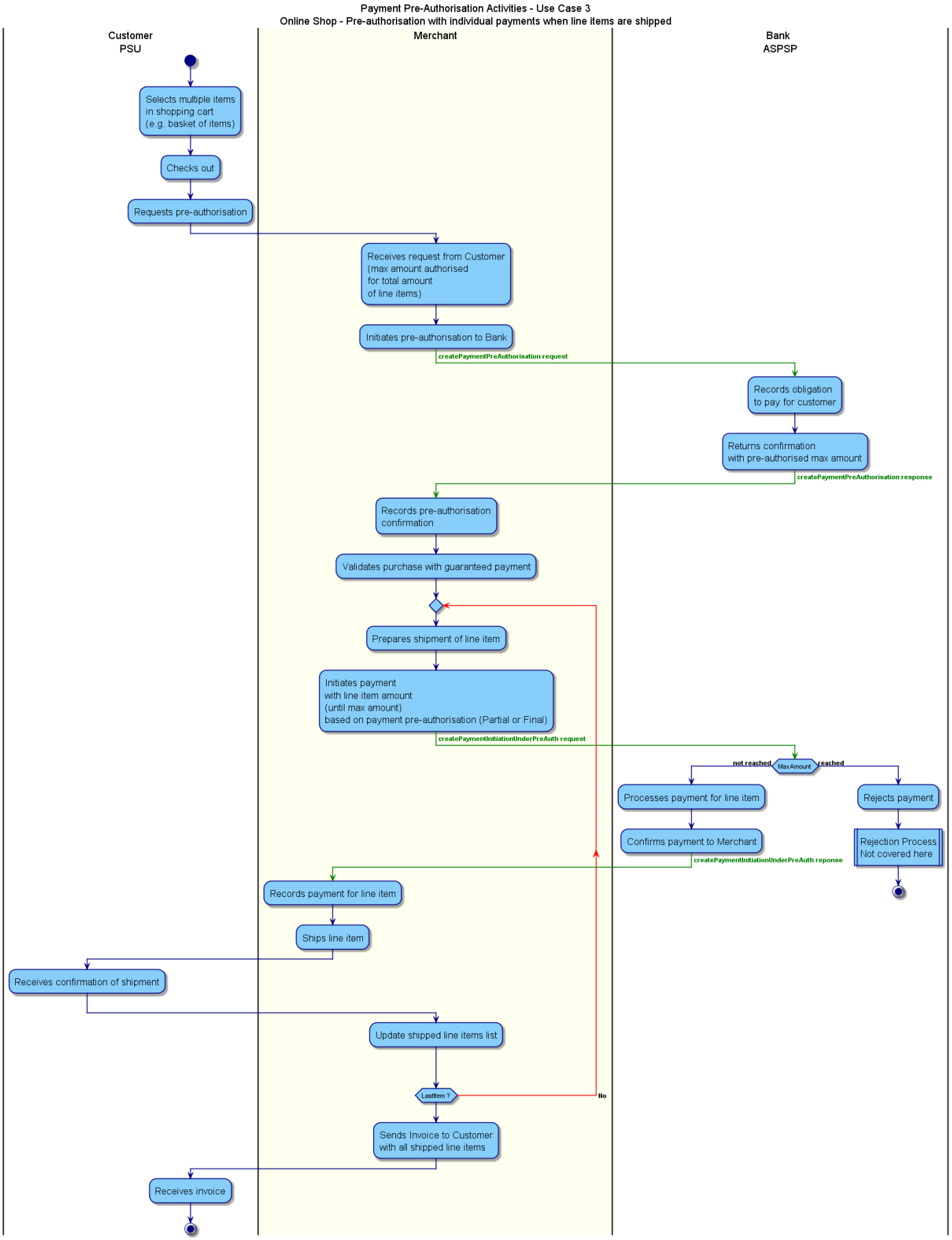
2.1 LARGE AMOUNT WEB PURCHASE (E.G. HOLIDAY BOOKING)



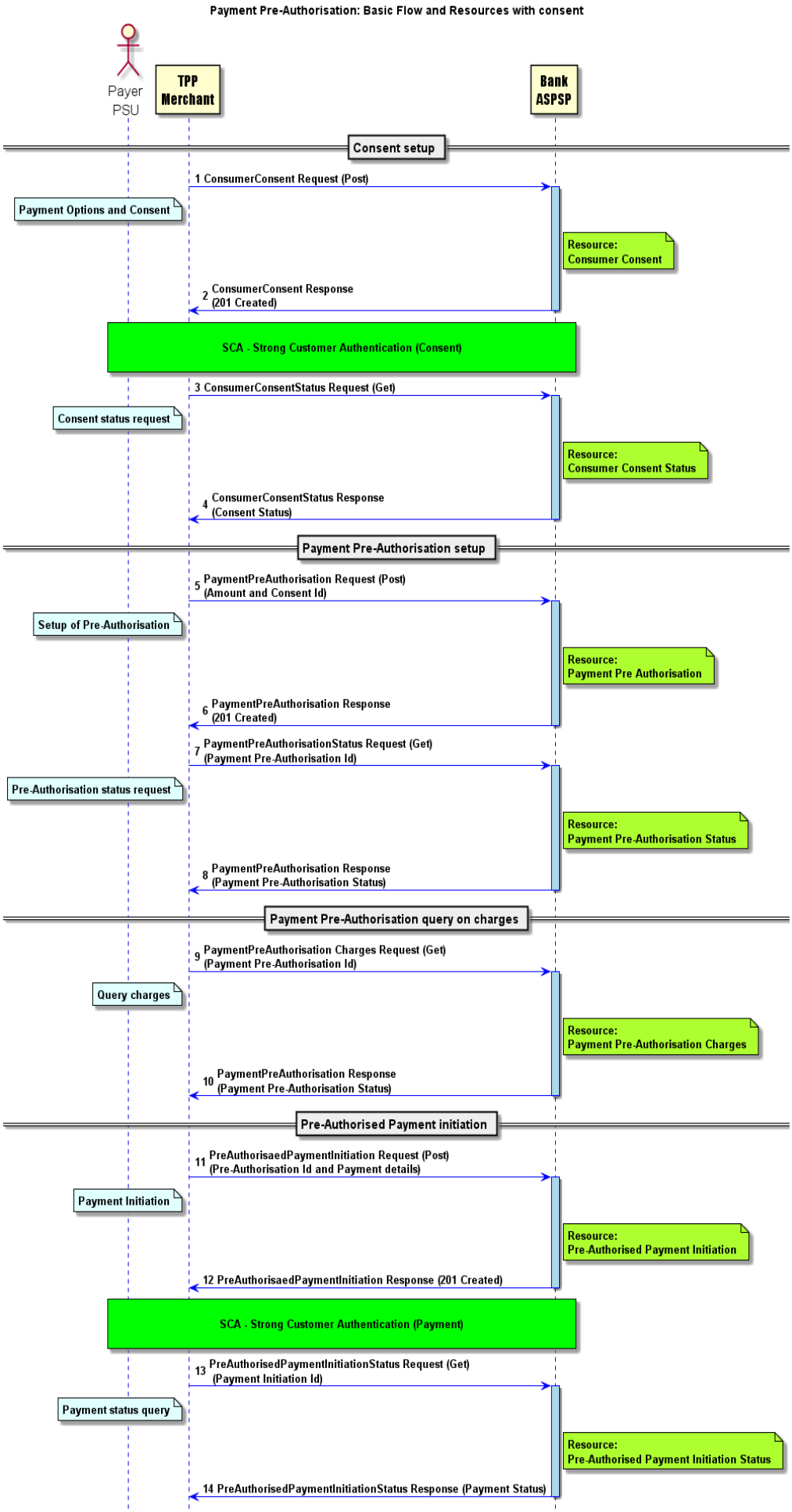
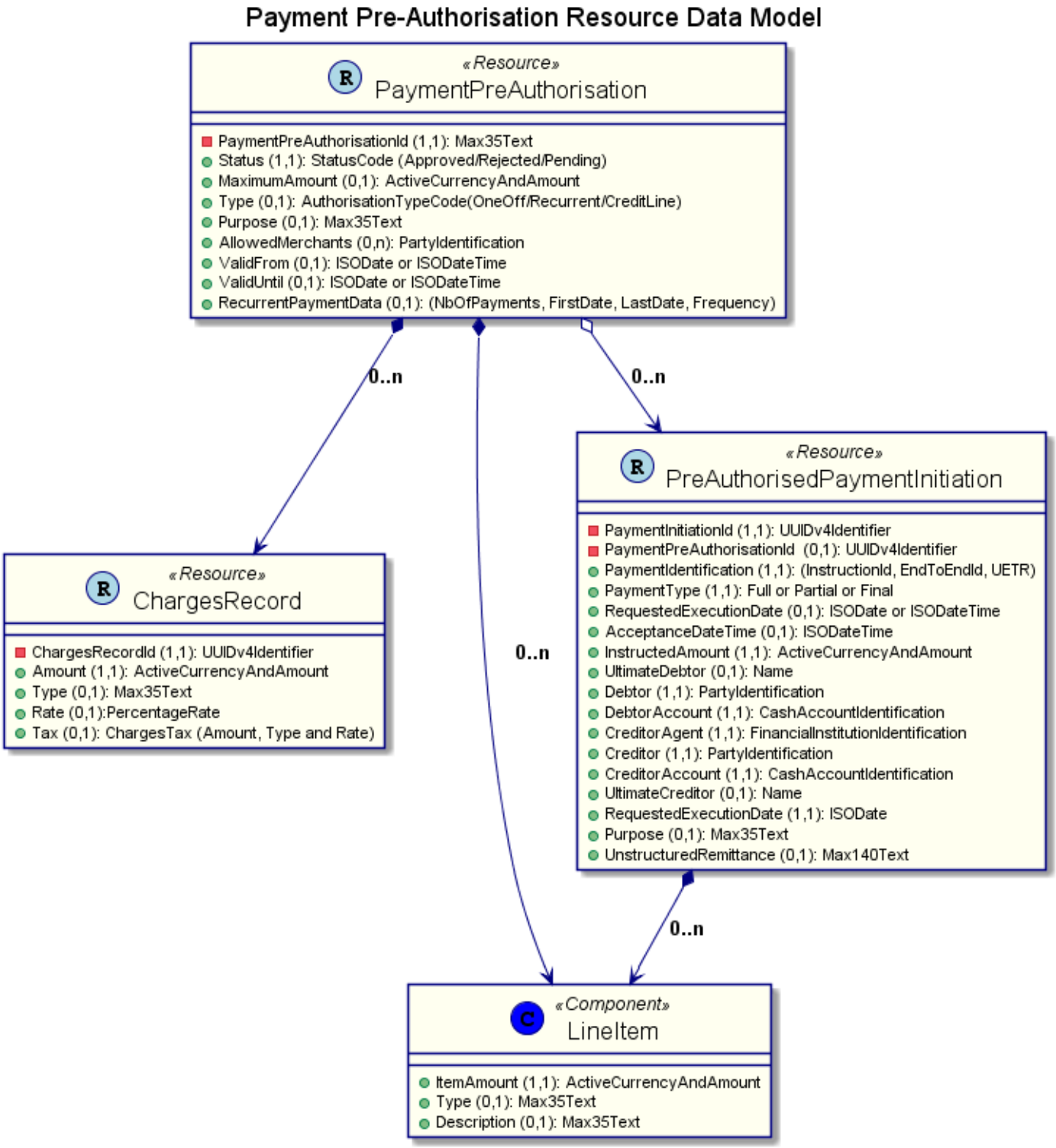
2.2 TEMPORARY BLOCKING OF FIXED AMOUNT (E.G. GAS STATION)



2.3 WEB PURCHASE: ASPSP GUARANTEES AMOUNT TO MERCHANT



3 PAYMENT PRE-AUTHORISATION FLOWS



4 PAYMENT PRE-AUTHORISATION DATA-MODEL PROPOSAL