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European Cards Stakeholders Group

Report

Annual Stock Taking Exercise using Progress Indicators

28 September 2017

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1 Executive Summary

Since the interim report presented at the June 2017 meeting of the ERPB by the European Cards Stakeholders Group (ECSG), the market initiatives continue to develop implementation specifications for payment cards in the EU based on the Volume v8.0 published in January 2017.

On the basis of the established group and processes, the monitoring of the migration of the European card payment standardisation through the labelling process is becoming pertinent with four organisations interested in their specifications becoming labelled as conformant to the ECSG volume. It is anticipated that a growing number of candidate organisations will apply for a label from 2018.

It has to be noted that the Card Schemes will make a best effort to be conformant with the SEPA Cards Standardisation Volume and to progressively include, wherever possible and appropriate, Volume requirements in the operating regulations of the respective Card Scheme. They also recommend the use of labelled specifications as specified in the SEPA Cards Standardisation Volume.

The ECSG will continue to monitor, via its Volume Conformance Management Committee (VCMC), market adoption of Volume conformant specifications and will report accordingly in the future.

2 Background

On 29 June 2015 the ERPB invited the ECSG to report back to the ERPB every 12 months, with an update on how implementation of harmonised standards related to payment cards in Europe was progressing. The ECSG presented a progress report to the ERPB, including a proposal to introduce indicators for further status updates to the ERPB. These indicators would better track how usage of implementation specifications conformant with the requirements expressed in the SEPA Card Standardisation Volume of Requirements is evolving.

On 13 June 2016, the ECSG presented its "Stock Taking Exercise" & Implementation plan report update. Within section 4 of that report, it was proposed that the ECSG introduce the use of progress indicators for new and installed solutions in the Card to Terminal, Terminal to Acquirer and Terminal Security domains, using this data and indicators to form the reporting of the indicators in mid-2017.

On this basis, the ERPB:
- took note of the ECSG report;
- endorsed the ECSG's proposal to introduce indicators in its future annual progress reports to the ERPB regarding the state of play of cards standardisation. These indicators would be presented from mid-2017 (using 2016 data for that year)

3 Update report on the VCMC labelling activities

Since the ECSG supplied the update report to the ERPB in June 2016, a number of developments have taken place such as:
- The establishment of the ECSG as a legal entity
- SEPA Cards Standardisation Volume version 8, published on 1 March 2017
- Establishment of the VCMC, linked with the new ECSG status

The ECSG has been made aware of market implementations of Volume v7.1 and v8 but has not, as yet, fully labelled any of these specifications. Currently the ECSG has been contacted by four specification providers for further information on how to undertake the ECSG labelling process.

The newly formed VCMC has already started its work.

Reporting to the ECSG board, it is formed by two representatives of each sector with a high level of engagement. Currently, the VCMC is co-chaired by a scheme sector and a retailer sector representative.

- The group is defining any necessary updates to previously proposed "process" and "assessment template" documents.

- The ECSG labelling process continues to be based on a "self- assessment" declaration.

The VCMC expects 2017 to be a transition, pilot year during which the labelling process will start to be tested with some interested candidate stakeholders.

The VCMC has initiated contacts with the four candidate organizations interested in becoming labelled as "conformant".

These organizations have discussed the opportunity at their own board level and have decided to continue the interaction with the VCMC in order to make progress.

A new, 5th organization, has also shown interest and together with the VCMC chairs is preparing an initial kick-off meeting.

In parallel, a number of necessary founding blocks will continue to be fine-tuned in the coming months. Label validity period and its relation with "ECSG Volume" version management are equally being addressed in order to implement an efficient approach.

Given all the above, and taking into account the growing relevance of the ECSG work within the European industry, it is not unreasonable to anticipate a growing number of candidate organizations for 2018.

4 Update report on the Card standardisation actions

4.1 ERPB requests

Number	Issue / rationale	Recommendation
ERPB/ 2015/ rec5	**Terminal-to-acquirer domain** The same set of functional requirements has been agreed among card stakeholders, but there is still widespread fragmentation in terminal-to-acquirer card payment protocols owing to differing domestic market practices.	The ERPB recommends that, for newly installed payment card terminals, the choice of protocol specification should be market driven and conform to the SEPA Cards Standardisation Volume (SCS Volume). Acquirers and processors should recognise and work with at least one protocol that conforms to the SCS Volume.
ERPB/ 2015/ rec6	**Card-to-terminal domain** All terminal applications in Europe are now based on EMV specifications. However, different payment applications are used to implement the rules of the different card schemes active in the different markets. This is due to different market practices and leads to widespread market fragmentation in Europe.	The ERPB recommends that, for newly installed payment card terminals, the choice of terminal payment application should be market driven and conform to the SCS Volume. Acquirers and processors should recognise and work with at least one terminal payment application that conforms to the SCS Volume.
ERPB/ 2015/ rec7	**Terminal security domain** Significant convergence has taken place over recent years as the Cards Stakeholders Group already agreed on the same set of security requirements. Two security evaluation methodologies/certification frameworks have been identified to verify that these requirements are being respected: • Payment Card Industry Security Standard Council; • Common Criteria.[1]	The ERPB recommends that the identified terminal security certification methodologies, processes and frameworks implement the relevant list of requirements described in the SCS Volume. Schemes shall strictly follow the process described in the SCS Volume for this domain.

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[1] Please note that 'Common Criteria' is now known as 'Common SECC Consortium'

4.2 Report Update

In line with ERPB 3rd request, this report presents the main changes compared to the June 2016 situation.

Setup of the ECSG and VCMC

The CSG members have approved the creation of the ECSG (European Card Stakeholders Group), independent association to be established in Brussels as an AISBL, now equally controlled by the 5 sectors active in card payments. Within the ECSG, the 'VCMC' (Volume Conformance Management Committee) will be setup. Its roles will be to receive and make public the self-assessments and required deliverables for conformance of the implementation specifications with the standardisation requirements expressed in the SCS Volume.

Both the ECSG and its internal Volume Conformance Management Committee have been legally created.

Four candidate organisations have expressed their interests of obtaining a label.

Progress in the Acquirer to Issuer Domain

ISO 20022 based SEPA Card Clearing (SCC)

As mentioned in the 2016 report, for the ACH model, ISO 20022 based SCC messages derived from SDD messages have been successfully implemented for the clearing of card transactions in the girocard scheme (also active outside of Germany), representing 3 billion transactions annually. Within this framework also other scheme transactions are cleared using these messages. SCC is implemented by EBA Clearing too. SCC data elements are already included in Book 3 of the SCS Volume.

ISO 20022-ATICA

As mentioned in the 2016 report, ISO 20022-ATICA in version 1 is already available, which includes 31 messages covering all the processes of the Acquirer-to-Issuer card processing domain: authorisations, clearing, reversals, network management, settlement and chargebacks.

The work on the standard is progressing and the aspiration is that the publication of version 2 will be developed by the end of 2017 and the publication of the Message User Guide (MUG) will follow. This new version will be functionally more complete.

The ISO 20022-ATICA data elements will be added to the SCS-Volume next release version 9, after ATICA specifications version 2 are made available.

ISO 20022 in the Acquiring-to-Issuer domain

During its June 13 2016 meeting, the ERPB took note of the then CSG's study and conclusions on the acquirer-to-issuer domain and on the interest and potential benefits of a migration to a single payment message standard and standardised clearing and settlement practices; the ERPB consequently:

- agreed to continue supporting the development and usage of ISO 20022 payment messages in the euro area, including in the card acquirer-to-issuer domain;

- invited the CSG to further refine the proposed framework in the report, taking into consideration alternative migration strategies (clearing only, specific geographical domains, groups of schemes, etc.). When carrying out this work, the CSG is expected to liaise with the relevant ISO committees so that SEPA requirements are taken into account. The CSG is to report back to the ERPB by mid-2017, with an interim report at the November 2016 ERPB meeting.

The ECSG agreed to follow the invitation of the ERPB and started working on the following aspects:

1. further refining of the proposed framework in the initial report;

2. analysis of alternative migration strategies (clearing only, specific geographical domains, groups of schemes, etc.);

3. how to liaise with the relevant ISO committees so that SEPA requirements are taken into account

The analysis led the ECSG to conclude that in the context of market driven initiatives to implement the ISO 20022 standard, based on commercial decisions from market players, no new Specification Provider needs to be created, because there is no need to centrally manage a set of specifications at SEPA level, as would have been required in case of a full migration.

Migration initiatives may happen along the following scenarios or combination of them:

- By functionality or group of functionalities
- By one or several Schemes
- By a group of Processors

As official liaison options are no longer available with ISO 20022's Cards SEG and Payments SEG, to ensure that SEPA requirements are taken into account, the ECSG will organise the following activities within its Volume Subgroup entity:

- Identify and monitor initiatives
- Identify and assess specific SEPA requirements
- Define the way specific SEPA requirements shall be managed
- Report annually to the ERPB

In the future, the activities could be extended with an interaction with TG1 (for ATICA) and the Berlin Group (for SCC), the two Submitting Organisations active with ISO 20022 in the A2I Card Payment domain, possibly by applying for membership in the Organisations.

Progress in the Card-to-Terminal and **Terminal-to-Acquirer domains**

In the **Card-to-Terminal** and **Terminal-to-Acquirer domains (ERPB/2015/rec5 and rec6)**, the solutions managed by the VCMC will allow merchants, acquirers and vendors to deploy solutions for which the SCS Volume Conformance has been demonstrated.

Progress in the Terminal Security domain

Terminal Security domain (ERPB/2015/rec7) has shown the following evolutions:

The PCI SSC, a global open standards organisation, announced on the 22nd March 2016 that the European Card Payments Association (ECPA) had joined PCI SSC as Strategic European Regional Member. This adds significant European technical involvement in all PCI standards.

PCI will continue to share both the standards and the list of approved products and components with the new ECSG. PCI will also continue to work with the ECSG and all its members to ensure the very best levels of security for Payments throughout the SEPA region.

Common SECC, the Common Security Evaluation and Certification Consortium, using the scheme independent ISO 15408 Common Criteria as the evaluation methodology was formally established by UKCA (now UK Finance) and GBIC and is up and running for POI security certification. The Consortium defined all processes and policies including a common certification body of UK Finance and GBIC. This body issues security certificates which can be used by the vendors for both markets, UK and the girocard scheme. Common SECC shows full compliance with the SCS Volume security requirements.

4.3 Future Developments & Next Steps

For future progress reports and in order to follow easily the progressive compliance progress of European card standardisation, the ECSG proposes to continue to monitor and report on the activity of the VCMC and of conformance specifications deployment in SEPA

In the Terminal Security domain, the Volume provides common requirements on Security to the PCI and Common SECC security specifications. The harmonisation efforts are ongoing for these specifications.