ECSG073-18
(v1.0)
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European Cards Stakeholders Group

Report

Annual Stock Taking Exercise using Progress Indicators

28 November 2018

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1 Executive Summary

Since the report presented at the November 2017 meeting of the ERPB by the European Cards Stakeholders Group (ECSG), the market continues to develop implementation specifications for payment cards in the EU based on the ECSG SEPA Cards Standardisation Volume Book of Requirements (SCS Volume) v8.0 published in March 2017.

The ECSG continues to promote market adoption of the SCS Volume via market consultations and its Volume Conformance process.

Implementation specifications from three organisations have been granted a conformance Label to the SCS Volume v8.0. Additional organisations are either in the process or have expressed an interest to participate in labelling.

Further to the labelling process the ECSG members will make a best effort to be conformant with the SCS Volume and to progressively include, wherever applicable, SCS Volume requirements in their operating procedures and documentation.

A new version (v8.5) of the SCS Volume will be published by the ECSG in December 2018 for consultation.

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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 first “Stock Taking Exercise” & Implementation plan report update.

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)

On the 29 November 2017, a second Annual Stock Taking Exercise using Progress Indicators has been addressed to the ERPB. The ERPB took note of the ECSG’s status update for 2017.

A new ECSG update to the Stock Taking Exercise will be provided to the 28 November 2018 ERPB meeting.

3 Update report on the Card standardisation actions

3.1 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.
ERPB/20 15/sta2	**Conformance monitoring** The ECSG has developed a labelling process monitoring card payment specifications conformant to the SCS Volume requirements	The ERPB invited the ECSG to implement the relevant procedures and start to monitor the conformance of implementation specifications for payment card products and services to the SCS Volume in the second half of 2015

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

3.2 Report Update

This report presents the main changes compared to the November 2017 situation.

3.2.1Progress in Volume Conformance

Within the ECSG, the Volume Conformance Management Committee (VCMC) is responsible for operating the Volume Conformance Labelling process. The Labelling process is a process by which specification providers demonstrate that their specifications conform to the appropriate requirements of the Volume. Conformance stamps (Labels) are granted and published on the ECSG web-site.

The VCMC is composed of 2 representatives of each ECSG sector and meets regularly in order to review applications, discuss process improvements and generally address any topic that may be related to the Volume conformance as defined within the VCMC Terms of Reference

Additionally in 2017, the VCMC, working with the ECSG board, have improved governance and transparency of the VCMC, notably the following procedural documents have been formally approved:

- Code of Confidentiality
- Conflict of Interest Policy

It is important to remember that conformance to the ECSG Volume and, therefore, Labelling, continues to be

1. Voluntary
2. Based on a self-assessment
3. According to the Book 5 of the “Volume”

The Labelling process has become fully operational in the 2nd half of 2017. The first conformance labels were granted and published on the new, dedicated section of the ECSG web-site. At the time of writing this report, three sets of specifications have been labelled:

- nexo Standards
- The global girocard specifications
- IFSF

Furthermore, a number of other parties have expressed interest in the process and at the time of writing this report are in different degrees of advancement towards completion of the labelling process.

More details on these submissions, as well as any updates since the writing of this document can be found in the labelling section of the ECSG web-site:

https://www.e-csg.eu/ecsg-granted-conformant-labels

These initial Labels cover instances of both Point of Interaction specifications as well as message protocol specifications. In future, other scenarios are expected also to be covered (such as e.g. acquirer to issuer protocols).

In the coming months, the VCMC aims at focusing on increasing the number of labels granted. This effort must be done with the due neutrality preserving the voluntary nature of the process.

Two further considerations should be kept in mind to have a more accurate perspective of the overall labelling process:

(a) Labelled specifications tend to be the latest versions developed by the provider and not necessarily the version deployed. Deployment to the markets will normally follow existing maintenance cycles, which may take some time before full deployment.

(b) Although Labelling continues to be a voluntary option, one does not need to believe that non-labelled specifications are necessarily non-conformant to the Volume. On the contrary a large degree of conformance can be anticipated, given that so many stakeholders from all the industry sectors actively participate in the works of the ECSG

3.2.2 Annual Report on ISO 20022 initiatives in the Acquirer to Issuer Domain

3.2.2.1 Context

The CSG presented to the ERPB during its 13th June 2016 meeting, the conclusion of a study on the acquirer-to-issuer (A2I) domain and on the interest and potential benefits of a migration to a single payment message standard and standardised clearing and settlement practices. This study recommended ***the adoption of a market driven approach to migration to ISO 20022 where such a migration is decided based on business considerations.***

The ERPB invited the CSG to further refine the proposed framework. The newly-formed ECSG produced a new report with the following content:

1. Refinement 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.

Subsequently, during its meeting on 3 May 2017, the ECSG Board decided to task the Volume Sub-Group (VOLSG) to monitor the relations with ISO and carry out the following activities:

- Identify new initiatives to use ISO 20022 in the A2I domain in the market
- Monitor existing initiatives to use ISO 20022 in the A2I domain in the market
- Identify specific SEPA requirements to be taken into account, e.g. triggered by Schemes or by Regulation
- Assess those specific SEPA requirements
- Define a proposal on how to handle those specific SEPA requirements and submit it to the ECSG Board

- Produce an annual report to the ERPB, which describes the evolution of the market initiatives

The ECSG will look to explore whether there could be better liaison with submitting organisations active with ISO 20022 in the A2I Card Payment domain. See the following sections for details of those organisations.

3.2.2.2 New initiatives using ISO 20022 in the A2I domain in the market

At the date of the report, compared to last year, no new initiative using ISO 20022 in the A2I domain has been identified in the market.

3.2.2.3 Existing initiatives using ISO 20022 in the A2I domain in the market

There are at present two initiatives using ISO 20022 in the A2I domain in the market:

- The SEPA Card Clearing (SCC) initiative
- The ATICA initiative

1. ISO 20022 based SEPA Card Clearing (SCC)

In the Acquirer to Issuer domain, ISO 20022 has currently been successfully implemented as the SEPA Card Clearing (SCC) Framework by the German girocard Scheme (also active outside of Germany) since 2014 and billions of transactions are being cleared annually.

The SCC Framework leverages the ISO 20022 payments infrastructures. Governance and change management of the main payment message reside with the ISO Payments SEG and governance and change management of the SCC Framework extension resides with the Berlin Group. As owners (at ISO level) of the SCC Framework extension, the Berlin Group works on support of all card related services within the supplementary data field approach for payment messages.

ISO 20022 based SCC messages offer a simple message extension to the SEPA Direct Debit definition for including additional card originated data in ISO20022 payment messages, for the purpose of clearing and settlement of card payment transactions via SDD, as an opportunity to leverage investments in ISO20022 SEPA infrastructures. SCC data elements are already included in Book 3 of the ECSG Volume and alignment on data elements, values and IDs will be discussed with ATICA once the ATICA messages and XML-schemes are published in a version 2.0.

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2. ISO 20022 - ATICA

ISO 20022 ATICA version 2, which will cover the full transaction life cycle (Authorisation, Clearing, Settlement and Disputes) within the Acquirer to Issuer environment, also includes messages to address a full set of functionalities: Authorisation, Financial, Reversal, Chargeback, Verification, Inquiries, File Action, Retrieval and Fulfilment, Fraud Reporting, Network Management, Batch management, Settlement report, etc..

ATICA version 2 will be published as soon as the Message Usage Guide (MUG) is completed. Subsequently, the SCS Volume Book 3 will be updated.

3.2.2.4 Specific SEPA requirements

Regarding ISO20022 in the Acquirer to Issuer domain, the ECSG Board has requested the Volume SG to undertake the following tasks:

- Identify specific SEPA requirements to be taken into account, e.g. triggered by Schemes or by Regulation
- Assess those specific SEPA requirements
- Define a proposal on how to handle those specific SEPA requirements and submit it to the ECSG Board

3.2.2.5 ECB/Eurosystem Request about the interoperability of card message formats among processors.

On 25 April 2017, the Eurosystem sent a letter to European Cards Stakeholders Group (ECSG-IL005 17) titled 'Interoperability of card payment message standards', where it was stated that:

The Eurosystem welcomes the publication of the 8th version of the SEPA Cards Standardisation (SCS) Volume on 1 March 2017. Even though the Volume clarifies the interoperability issue for products/services using the same implementation specifications of the same technical message standards under the same card payment scheme, it is not considered sufficiently detailed to facilitate technical interoperability in case different technical message standards or different versions of one standard are used.
The Eurosystem would like to ask the ECSG to discuss in more detail the aspect of used data elements, with the focus on:
i *(i) how to best facilitate technical interoperability in case different technical message standards in the terminal-to-acquirer and acquirer-to-issuer domains are being used, and*
ii *(ii) if commonly agreed conversion rules would be a promising approach to foster technical interoperability (If not, why not? If yes, which body would be best suited to establish these conversion rules?).*

In September 2017 the ECSG replied by:

- Addressing the background describing current situation and how interoperability among different standards are now being covered by card payment industry,
- Describing a proposed solution based on new version of Book 3, after ISO 20022 ATICA Version 2 is available, including a conversion rule section among all the referenced standards to facilitate harmonisation.

The ECB/Eurosystem acknowledged the ECSG response and stated they have taken it up into their assessment of replies to the survey into SEPA for cards, as this included a question on ISO 20022 for card payments. It will need some more time to re-assess the matter. So, no further action on this issue is expected at the moment.

3.2.3 Standardisation 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.

- nexo standards received the Volume conformance label for its POI Payment Application and its Terminal-to-Acquirer protocol specifications. nexo standards market adoption is accelerating, with known implementations and projects in more than 6 European countries, mostly from large, international merchants representing high transaction volumes. nexo specifications are accepted by most Schemes in SEPA and are in the list of approved specifications of GIE CB in France and girocard in Germany.
- girocard is the debit card scheme used primarily in Germany. Above 100 million girocard cards are in circulation and accepted at more than 800.000 terminals in Germany. This represents close to 3.5 billion yearly payment transactions.
- IFSF is a forum of international petroleum retailers, suppliers and others with the common mission to promote interoperability by developing technical standards that enable cost effective operations in retail petroleum and other sectors internationally (www.ifsf.org).

3.2.4 Standardisation 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 has been up and running for POI security certification since 2015. The Consortium, which is open for all other approval bodies worldwide, has defined all processes and policies including a common certification body of the participating approval bodies. This body issues security certificates which can be used by the vendors for both markets, UK and the girocard scheme, and beyond that by all markets willing to accept them. Common SECC shows full compliance with the SCS Volume security requirements.

3.3 Future Developments & Next Steps

The ECSG is preparing a new release of the SCS Volume for public consultation in Q4 2018 which will refer to the latest legislative updates of PSD2, RTS on SCA and GDPR.

The ECSG welcomes input from the ERPB, as it does from the wider market, on new developments that should be taken into consideration for future releases of the SCS Volume.

The ECSG will continue to report on the activity of the VCMC and of conformance specifications deployment in SEPA