

**European Payments Council:
SEPA Cards Framework Standardisation “Volume”, V 2.00
Draft of 30 September 2009**

EPSM statement:

Date: 31 October 2008

In addition to our statement from 14 August 2008 to the first draft, we want to comment as follows:

1. General Comments

We continue to support the European standardisation of card based payments and the pragmatic approach of the EPC work, which does very valuable and difficult work. The EPC aims to produce fundamental documents that will cover for the first time all major card payments schemes in Europe.

At the same time, we expect that any new standard and standard setting should comply with competition law, in order to avoid lengthy law suits.

Also, as SEPA is a very important infrastructure project, quality should go before speed, i.e., good documents delivered with delay are better, than fast documents with many imperfections.

To the draft version 2.00, we want to comment:

- **The draft version 2.00 is in many parts fundamentally new, compared to the draft version 1.0. The new parts cover many advanced technical details which have not been mentioned in the old draft version 1.0.**
- **The time for comment is very brief (only 4 weeks) and apparently the draft v 2.00 was sent out only to parties that made a comment to version 1.0. Therefore, a real public consultation on version 2.00 is apparently not taking place.**
- **In >80% of all technical requirements, the text says “shall” and not “must” – only at some selected requirements the texts says “must”. In our understanding of plain English language, most requirements are therefore optional and not mandatory. We see it as highly unlikely, that the authors intended this reading of the text.**
- **The title of the document should make clear that it is only a first, fundamental document for the further development of European standards in card payments, and not a standard itself. Therefore, at least the sub-title should be changed, e.g., to “Payments and Withdrawals with Cards in SEPA: A Reference for implementation standards and certification processes”.**
- **For a better reading and commenting, the document should be split into a general part and several subdocuments – each with an own version number.**

2. Specific Comments

Due to the very short period for comment, only a brief, non exhaustive list of specific issues are mentioned. There are many more issues in the document that should be improved or clarified:

2.1. to 2.3. Governance of EPC work:

It should be added a paragraph, that all standardisation work must comply with competition law. In order to avoid unnecessary problems and delays due to competition law, all major rules should be consulted before any implementation with all relevant competition authorities. Written Statements of “non-objection” by the relevant competition authorities should be received before voting within the EPC on the implementation of any major rule.

Furthermore, a formal entry point and decision process for comments or complaints for all stakeholders (especially outside the new “Group of Stakeholders”) should be defined, in order to try to avoid future litigation against the EPC standards as much as possible.

2.2. **to 3.2.1 Functional scope tables**

As the new draft is called “version 2.00”, the table should make clear what is meant with the term “Version 1 (2008)”.

There are different practices in pre-authorization (e.g. petrol, hotels). According to our present market experience, it seems helpful to define these practices as different payment services.

As Charge Backs are a very important and difficult topic with high commercial impact, they should be included as best as possible already in “Version 1 (2008)”.

2.3. **to 3.2.2. General Functional Architecture**

As many readers use black/white print-outs for large documents, a reference to colours should be avoided in the text.

The graphical approach is very good, but the details should be discussed. The “settlement” to the merchant seems to be missing.

2.4. **3.2.3. Detailed scope by Card Service**

As new draft is called “version 2.00”, the table should make clear what is meant with the term “Volume V1”.

2.5. **3.3.2.12 Reconciliation**

The “Acquirer / Issuer Reconciliation” in a typical system with many acquirers and many issuers should be further clarified.

2.6. **3.3.2.13 Financial Presentment**

The “Acquirer / Issuer Financial Presentment” should be further clarified in a typical system with many acquirers and many issuers.

2.7. **3.4.2.3.2 Application Selection**

As stated in our earlier, we expect that the mandatory Rq. T30 “Application must follow EMV rules” will not comply with competition law. We urge strongly to consult the relevant competition authorities and all stakeholders on this issue before any decision on this topic.

2.8. **3.4.2.3.6 Additional Processing Requirements**

It is unclear, why a PIN Bypass - on the decision of the issuer - shall not be supported.

2.9. **3.4.26 Pre-Authorization Services**

As these services currently differ between e.g. petrol and hotel applications, this section should be consulted with the application specialists in this sector!

2.10. **3.5.1 Data elements Description**

The descriptions in “Track 2 data” and “Track 2 equivalent data” are not synchronized in their wording.

2.11. **3.5.2 Cross table “Function and Data-Elements”**

Though cross-table can be very helpful, we strongly suggest to omit this very large cross table and rather use a structured list. In any later technical implementation standard, a list structure can probably be administered more easily. It also saves paper.

2.12. **4.2.1 Introduction**

According to the market experience, the common criteria standard can bring a high administrative volume and high cost. The implementation standards should be open also to include other, more cost efficient standards and also provide a way how existing other

certifications (e.g. PCI PED from PCI SSC) can be recognized in order to save unnecessary costs for all stakeholders.

2.13. **4.3.2 Outline of the “EPC Security Requirements”**

As the information on “EPC Plus” is apparently only a first draft, there should be only a general reference information to a separate document.

2.14. **5.2 The approach to security evaluation, testing and certification**

As the choice on POI security evaluation is apparently only a proposal, there should be given more information on the pros and cons in a separate document which should be open for consultation to all stakeholders, especially terminal manufacturers.

Especially the governance of the “Certification Management Body” can be very relevant and should be checked first with all stakeholders and the competition authorities.

2.15. **6.1.2 Cardholder data receipt**

Why is the truncated PAN on the cardholder receipt mandatory at all?

2.16. **6.2.7. Cardholder Verification Methods**

Does an electronic signature on a Sign Pad qualify as “Signature”?

2.17. **6.3 Guidance on writing a Security Target**

This is apparently only a “preliminary internal document”, which should not be included in the “EPC Volume”. But it might be a valuable reference, which could be finalized and updated separately.

At least some administrative errors should be corrected (e.g. 6.3.5.1.7).

2.18. **6.4 Framework of POI Security Requirements (CAS)**

This is only a draft from 25th June 2008, where many topics are still open, e.g. the important action items at CAS A9.a.

2.19. **6.5. SEPA Cards Framework**

It is unusual that in “subordinated” document like the “Volume”, a Master document as the SCF is fully cited. This produces unnecessary paper.

Two detailed questions:

- Shall the SCF apply also to ATMs that supply Euros in the U.K. or Switzerland?
- Shall the SCF cover also settlement of card transactions?

2.20. **8 Contribution**

For a transparent process, we suggest that all comments are made public by the EPC in the Internet – as long as the authors of the comments do not reject it.

Only a very small formal detail: The German “Arbeitskreis der electronic cash-Netzbetreiber” send you a comment (InterCard is only a member in the Arbeitskreis and provides for the speaker of the Arbeitskreis) – the comment was identical to the EPSM comment.

3. *Conclusions*

We strongly recommend to change and shorten the structure of this document significantly as outlined before.

A “draft version 3.00” should be therefore communicated to all stakeholders in 1Q 2009 with at least 2 months time for public comment to all stakeholders. Also the competition authorities should be involved at same key aspects of the paper (e.g. application selection).

In the due process, an additional documentation would be very helpful, which indicates any difference from the current standards at major card schemes in Europe. The easiest would be a “Delta-Document” which highlights any difference between “EPC new” and the existing MasterCard, Visa, Cartes Bancaires, electronic cash, Maestro U.K. and other European schemes.

Last but not least:

Due to the importance of the subject, the goal should be to produce a “good paper” with high quality, and not to produce a “fast paper” of insufficient quality!

This comment can be published. We are looking forward to staying in contact.

= =