European Payments Council:
SEPA Cards Framework Standardisation "Volume", Draft of 18 May 2008

EPSM statement:

As a focused association of 47 members that represents the interests of European companies providing payment services or services for payment service providers for merchants, we would like to comment as follows:

1. *General Comment*

We support the standardisation of card based payments and their infrastructure across Europe and the pragmatic approach of the EPC work. In addition, we want to note:

- As many existing infrastructures are involved, it should be taken into account that this will be a long term project, probably lasting more than 10 years.
- In the development of standards and procedures, all stakeholder should be involved.
- The governance of standards must be transparent.
- The competition shall be increased and not be reduced by the standard setting activities.
- It should be possible that a "SEPA compliant card" also includes IBAN and BIC on the chip in order to enable a card holder to use the card for the initialization of SEPA Credit Transfers and SEPA Direct Debits.

- **In case of several payments applications on a card, the merchant must be able to set the default levels, in order to manage a "Least Cost Routing", especially if payment applications with high and low interchanges are available, and a fast processing at the point of sale.**

  The card holder can still on request override the default, but must then agree also to pay any surcharges set by the merchant.

2. *Specific Comments*

  2.1. *to 2.2.2. Objectives and 2.2.2.3 "Impact on the different stakeholders":*
  We suggest the simpler wording "SEPA Card Framework Specifications" or "SCF Specifications". Any notions due to competition law, that theses specifications are voluntary, should be framed in the text and not in the title.

  In 2.2.2.3 the wordings "should comply" should be changed to "must comply", or it must be clarified in the text what happens if a stakeholder does not comply.

  2.2. *to 2.4 Consultation and validation process*
  We support the goal of public consultations with all stakeholders. In the maintenance process, it should be described, what happens when stakeholders outside the EPC disagree with planned changes. A mediation process might be considered, possibly with the competition authorities as guests.

  The goal should be to minimize the risk that any EPC decisions will be challenged by the competition authorities or in the courts.

  2.3. *to 2.6.1 Definitions, Services*
  A cross-check or reference to the definitions in the Payment Service Directive might make sense. Especially for words like "payment", "payment with cash back", "refund".

Some more detailed comments and questions:

- definition "cancellation at Point of Sale": How is known to the merchant, if a transaction has already been cleared by the issuer?
- definition "mobile payment (remote)" The word e-Payment is not defined. It should be changed to payment.
- definition "Chip contactless EMV based": To our understanding, the definition should read "IC Card compliant with EMVCo contactless specifications."
- definition "Signature": Does a signature by a certified sign-pad also qualify as a "signature"?
- definition "Pin change": Is it on purpose not to use capitals as "PIN"?

2.4. **to 2.7 Cross Domain Matrix**
Recurring payments: Why are they mandatory? In many debit card schemes for POS environments, they are presently not possible. They should not be in the core requirements.
- Why is in the supported environment "MOTO" and "3D-Secure" mentioned in the card-to-terminal domain?
- Where is "Payment with purchasing card or corporate card Level 2 data" defined ?

2.5. **to 3.1.1 SEPA Fast**
Some recent requirements of SEPA Fast seem to be missing.

2.6. **to 3.1.3.3 Selection of the Payment Application**
The following sentence should be included for clarification:
In case of several payments applications on a card, the merchant must be able to set the default levels, in order to manage a "Least Cost Routing", especially if payment applications with high and low interchanges are available, and a fast processing at the point of sale.

The card holder can still on request override the default, but must then agree also to pay any surcharges set by the merchant.

2.7. **to 3.1.3.5 Cardholder Authentication**
It should be made clear, that SEPA Fast supports transactions at "merchant's risk" in case all authentication methods do not work.

2.8. **to 3.1.3.8 Multiple Payment profiles and Acquires**
To clarify for the German market and several large merchants, the following sentence should be added:
"SEPA FAST shall enable terminals to support the concept of a payment network operator that manages the terminal and routes as a single host to multiple acquirers."

2.9. **to 3.1.4.2.1 Technology Selection for Payment**
as mentioned in our 2.7:
It should be made clear, that SEPA Fast supports transactions at "merchant's risk" in case all authentication methods do not work.

2.10. **to 3.1.4.2.2. Application Selection**
as mentioned in our 2.6.:
In case of several payments applications on a card, the merchant must be able to set the default levels, in order to manage a "Least Cost Routing", especially if payment applications with high and low interchanges are available.

The card holder can still override the default, but must then agree also to pay any surcharges set by the merchant.

2.11. **to 3.1.4.2.5.2 Additional Processing Requirements**
Req. 32: Will cashback be in the Core requirements or not?
Req. 35: not supporting "PIN bypass: see our 2.7

2.12. ***to 3.1.4.2.5.3.1 Online Authorization***
Req. 38 – Req. 40: The references seem not to fit !

2.13. ***To 3.1.4.5.1 Pre-Authorization***
Req. 71: An Acquirer default value should be added: "If this function is activated, and the merchant sips this entry then a configurable default number of days shall be used, or the acquirer sets a default number."

In a separate bullet, also the pre-authorization at automated petrol pumps should be included as a core requirement! The requirements differ from pre-authorizations at hotels.

2.14. ***To 3.1.4.5.1 Payment Completion***
Req. 88: How does a terminal know, if a pre-authorisation is still valid?

2.15. ***To 3.2 Terminal to Acquirer Core Requirements***
- It should be made clear, if this content is derived from the EPAS work.

- as mentioned in our 2.8:
"These SEPA FAST shall enable terminals to support the concept of a payment network operator that manages the terminal and routes as a single host to multiple acquirers."

2.16. ***To 3.2.3 Core data elements requirements***
It is unclear, why formats for some data elements are not defined. This will lead to future differences in the implementation. It would be better to show no formats at all in this paper.

For data security reasons, it seems unclear why generally the full track2 data must be transmitted.

2.17. ***To 4.1.3.2 Additional PLUS requirements***
As these requirements might involve significant additional costs, these requirements should be discussed in details with all stakeholders especially with the terminal manufacturers and the buyers of terminals.

2.18. ***To 4.1.4 evaluation methodology for terminals (D2)***
The choice of methodology (PCI or CC) should be openly discussed with the terminal manufacturers. The discussion should be transparent to the buyers of terminals.

2.19. ***to 5. Certification Framework***
Apparently, there is still a lot of work in progress.

in our opinion it is important, that a clear and transparent governance with the involvement of all stakeholders must be set up.

In case of any strong disagreements among stakeholders, a neutral decision body should be created.

2.20. ***To the Appendix page 85***
This comparative table is very good. Such a comparison also for the items in section 2.7 "cross domain matrix" for existing payment schemes in Europe would be probably very helpful in the further work.

2.21. ***Pages 87 to 97***
These pages might be shortened in a later stage. General EPC papers need not to be repeated.

3. *Conclusions*

Our comments include many minor and some major issues.

As the draft is not finalized yet, we strongly recommend to publish all comments and distribute a 2nd draft to all stakeholders for a renewed comment period (shorter, like e.g. only 2 months), before the EPC approves any paper.

Due to the importance of the subject, the goal should not to be to have a "fast paper" but to have a "good paper" !

This comment can be published. The wording corresponds to the statement of the German network operators working group "Ak ecNb". We are looking forward to staying in contact.

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