



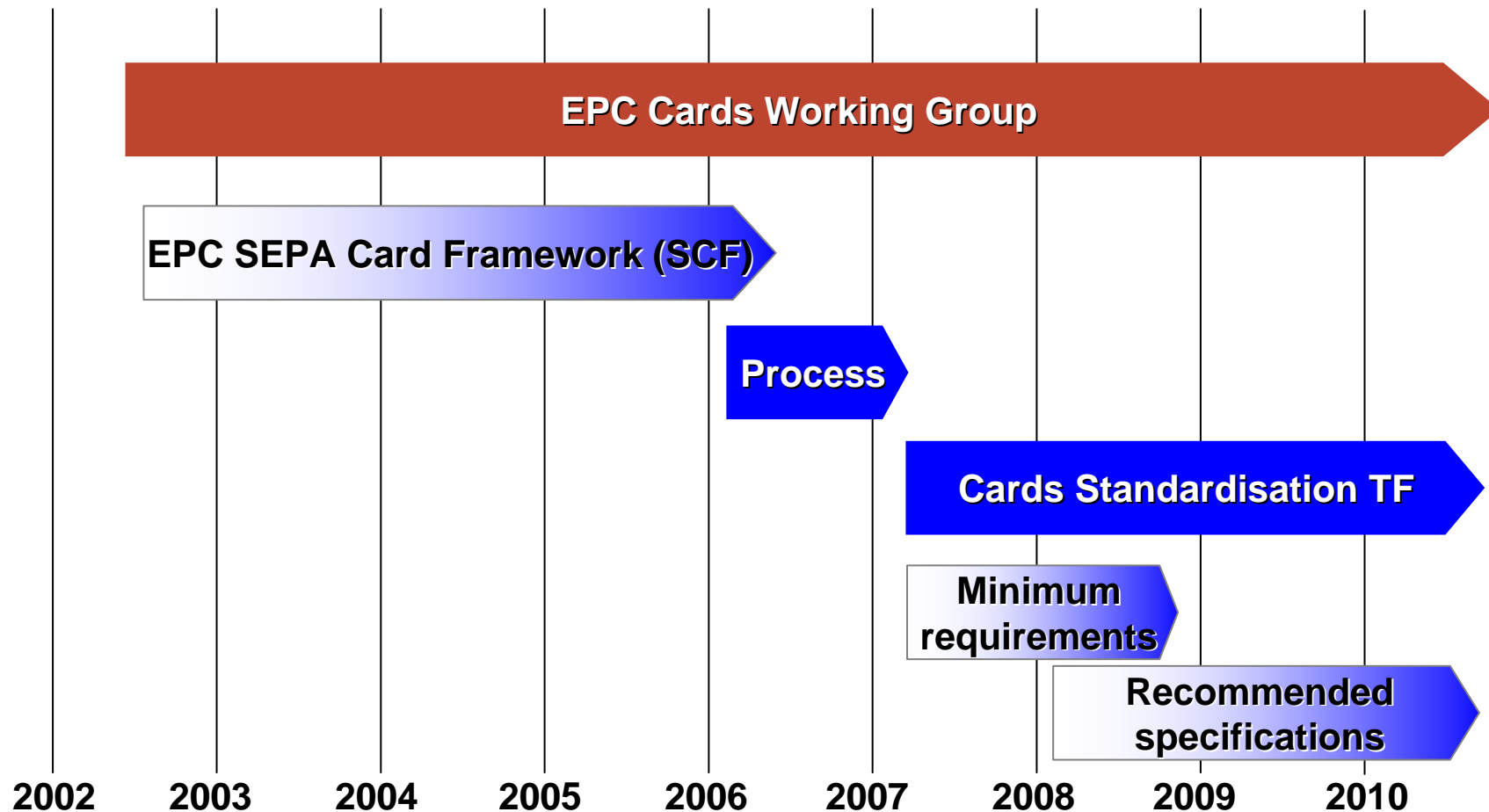
Benefits and Efficiencies of new Payment Instruments : **SEPA Card Payments**

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SEPA, an opportunity for Europe, 8 May 07, Brussels



EPC and a SEPA for cards A comprehensive process





- **The SEPA Cards Framework was approved by the EPC Plenary on 8 March 2006**
- **The SEPA Cards Framework spells out high level principles and rules which when implemented by banks, schemes, and other stakeholders, will enable European customers to use general purpose cards to make payments and cash withdrawals in euro throughout the SEPA area with the same ease and convenience than they do in their home country. There should be no differences whether they use their card(s) in their home country or somewhere else within SEPA.**
- **The SEPA Cards Framework creates the potential for any SCF terminal to accept any SCF card with a SEPA based acquirer of the merchant's choice**
- **SCF only covers the payment function of euro card payments**
- **Provides a single framework for banks, for schemes and for processors to become SEPA compliant (self-assessment procedure with EPC monitoring)**



The three tiers of the SCF

- 1. The Framework: the high-level principles necessary to provide a strong, market driven response to the expectations expressed by the EPC, the European Central Bank and the European Commission regarding the building of SEPA. Banks and card schemes operating in SEPA must commit.**
- 2. The card schemes: The SCF provides the context within which existing or emerging card schemes and alliances between card schemes, have to operate to ensure interoperability and competition**
- 3. The providers of technical infrastructures and payment services: the high-level principles that will encourage a strong competition and technical interoperability between providers to achieve efficient and low cost processing of transactions with cards**



3 options for implementation

- 1. Select one (or more) of the international schemes to replace the current national scheme(s) – once the former have become SCF compliant (see Chapter 3 hereafter);**
 - 2. Evolve one or several national schemes so that they become SCF compliant; national-based schemes, once they have become SCF compliant, may e.g. extend their operations to the entire SEPA, or may enter into alliances with other national-based yet SCF compliant schemes**
 - 3. Co-brand the cards with national or an international schemes – provided they have become SCF compliant**
- Banks will select SCF compliant schemes and start issuing cards from these schemes as from 1 January 2008 onwards and phase out non-compliant scheme cards by the end of 2010**
 - Banks may select multiple schemes pursuing different options**



- **Acquirers will offer merchants the option to acquire SCF compliant card transactions from one or more SCF compliant schemes from 1 January 2008 onwards.**
- **As fraud prevention is one of the priorities, the SCF indicates that the EMV chip will be the supporting technology for cards as well as the support of PIN on the acquiring side.**
- **The SCF sets out the high level principles to foster the competition between providers of technical infrastructure and payment services and to remove legal and technical barriers. SCF compliant card schemes will separate governance from processing functions.**
- **The SCF contains both a number of short term objectives and a longer term vision on the standardisation of the elements of the payment chain.**
- **The European Central Bank recently commented the proposed migration towards a SEPA for card and recently acknowledged the importance of the SCF.**



The EPC cards standardisation initiative the next logical step in the development process of a SEPA for cards.

The foundations for this work have been developed and approved by the EPC Plenary as described in following documents:

- **The SEPA Card Framework or SCF**
- **The Process for Cards standardisation in SEPA**
- **“Standardisation” Task Force Terms of Reference**



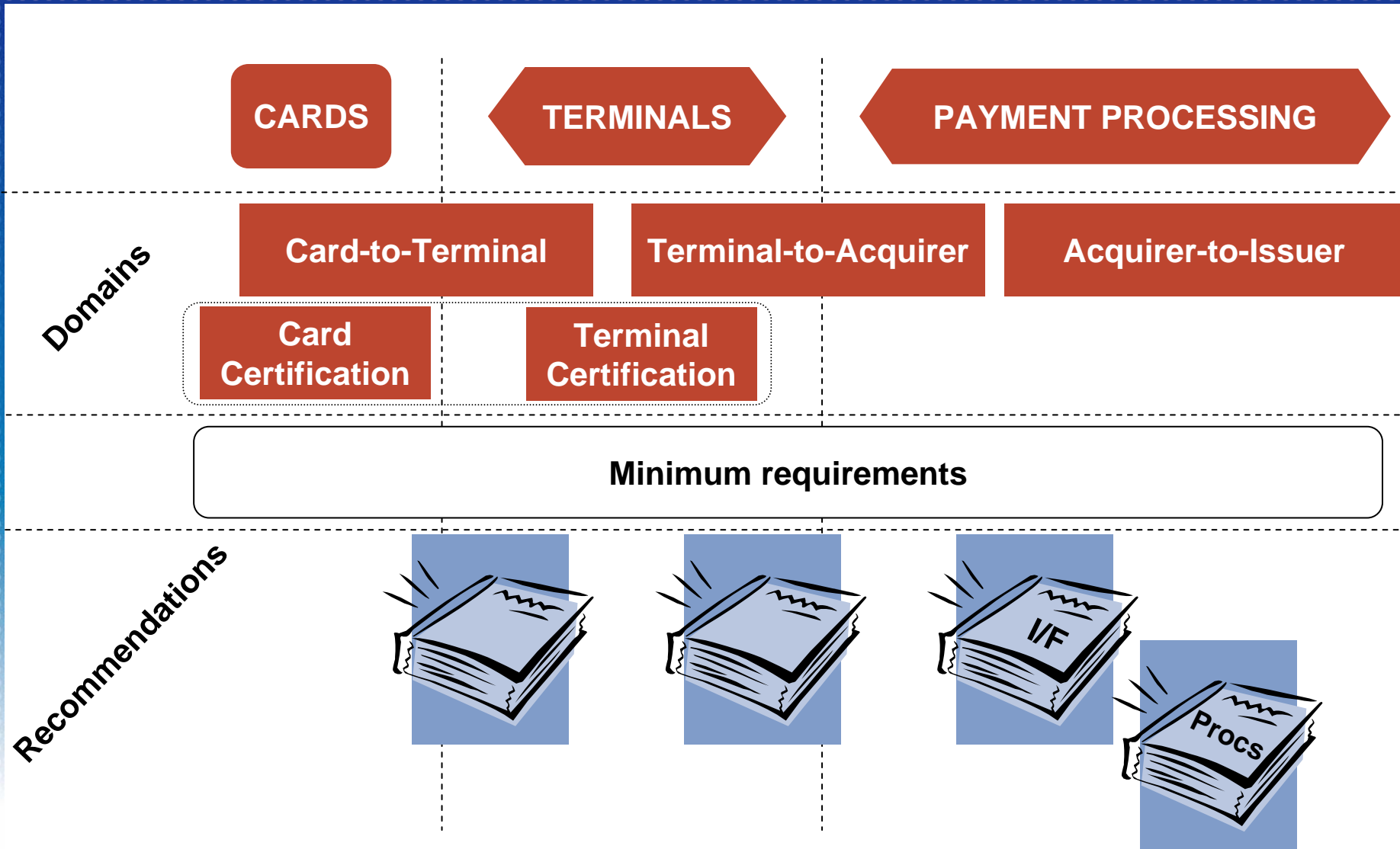
Key objectives for the cards standardisation programme

- **Identify or develop “SEPA Card Standards” specifications for cards, terminals and networks that includes:**
 - minimum requirements
 - recommended specifications and/or best practice guidelines
 - a framework for certification
- **Harmonise the various requirements of SCF compliant payment schemes, issuers, acquirers and other relevant stakeholders.**
- **Keep the focus on end-to-end interoperability for the card payment process from card to settlement.**
- **Existing global and / or well accepted industry standards will be leveraged to the largest possible extent.**

Note that the implementation of SCF compliant schemes is independent from the completion of the standardisation initiative.



Standardisation work in 4 domains





- **To combat fraud, the Cards Working Group created a Fraud Prevention Task force**
- **Main tasks**
 - Establish a collective view on security issues
 - Share fraud detection and fraud prevention information & trends
 - Identify all of the possible “ effective” fraud prevention solutions and prioritise them
 - Scrutinise the legal base for fraud detection and eradication of fraudulent behaviour
 - Determine best practices for the continuous fight against fraud
- **The fight against fraud requires a joint effort by the banking industry, merchants, card schemes, legislators and governments.**



SEPA Benefits and Implications

New SEPA Benefit	Consumers	Merchants	Corporates	Public Admin's
Common SEPA standards	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EU wide acceptance of payment cards	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Increased card transactions through cash displacement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reduced fraud	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Lower cost terminals		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Single terminal footprint		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Increased choice of processing services		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Lower cost standard software and services		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



Specific benefits for public administrations

- **When it comes to payments, the card instruments provide well accepted, convenient, reliable and secure payment services also for public administrations.**
- **Mobility within the EU will increase and more and the public administrations will more and more often interact with citizens of other EU countries. Card payments come assorted with comprehensive remittance services, dispute management and reconciliation services.**
- **The adoption of card payments, also by the administrations, will allow to upgrade the systems in control of collections and disbursements, as well as the treasury management.**
- **Moving away from cash (and equivalents) will reduce the associated handling efforts and allow staff to concentrate on more important assignments. Also, as the predominance of cash disappears from other sectors, the sustained handling of cash by e.g. customs and tax offices will create an increased exposure for this staff.**
- **The Payment Service Directive will provide a harmonised legal environment.**