Euro Retail Payments Board

European Cards Stakeholders Group

Acquirer to Issuer Domain
Interim Report

November 2016

Contents

1. Introduction

During its June 13 2016 meeting, the ERPB took note of the 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 initial study conclusions were the following:

The CSG however recognises a future potential in the adoption of ISO 20022 compared to ISO 8583, for the following reasons:

- *It provides interesting advantages in terms of support for evolution*
- *Although there is no business case for the whole ecosystem some individual entities might find a positive business case in the migration*

The CSG thus recommends the adoption of a market driven approach to migration to ISO 20022 where such a migration is decided based on business considerations.

Following this initial study and the June 2016 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

This document provides the interim report on this further analysis and is composed of two parts:

- Plan of action
- Main analysis threads in each of the previously defined tasks

The ECSG feels confident in delivering a final report for the June 2017 ERPB meeting based on the action plan described in the present interim report.

2. Plan of action

As indicated in the introduction, the work of the ECSG will follow the following three threads:
1. further refining of the proposed framework in the initial report,
2. analysis of alternative migration strategies
3. how to liaise with the relevant ISO committees so that SEPA requirements are taken into account
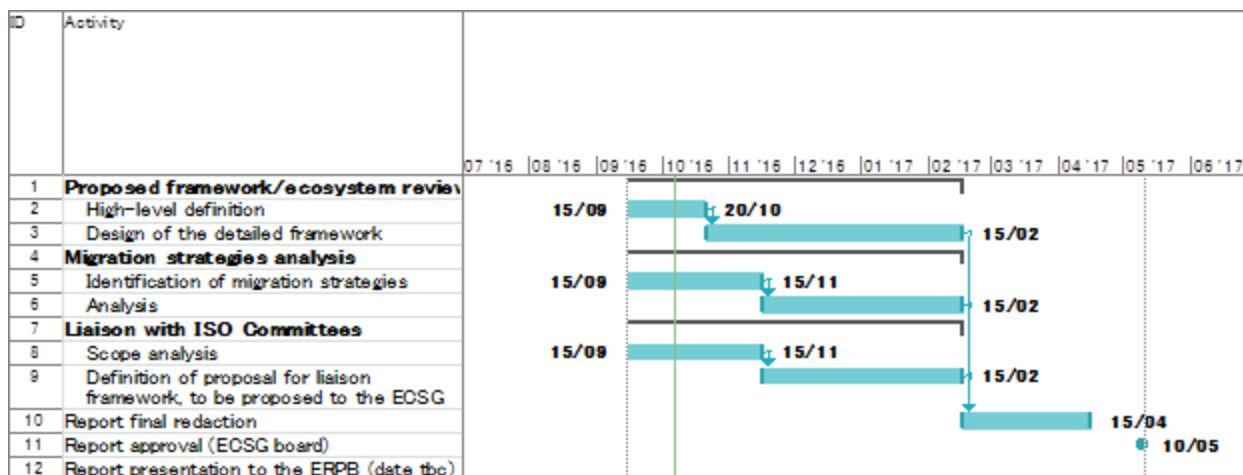
Each of these threads will form a dedicated chapter in the new report and will be analysed in three parallel activities.

Each activity will be composed of a preliminary definition step followed by the detailed design of the outcome. In particular, the steps for the three activities are detailed in the following table:

Activity	Step 1	Step 2
Framework/Ecosystem	High-level definition of the framework	Detailed design of the detailed framework
Migration Strategies	Identification and selection of the migration strategies to be analysed	Analysis of the migration strategies
Liaison with ISO committees	Scope analysis (committees and related roles)	Definition of the proposal for a liaison framework

When all three activities are complete, the report will be finalised and sent for approval to the ECSG board.

The schedule for the overall report redaction process is illustrated in the following figure:
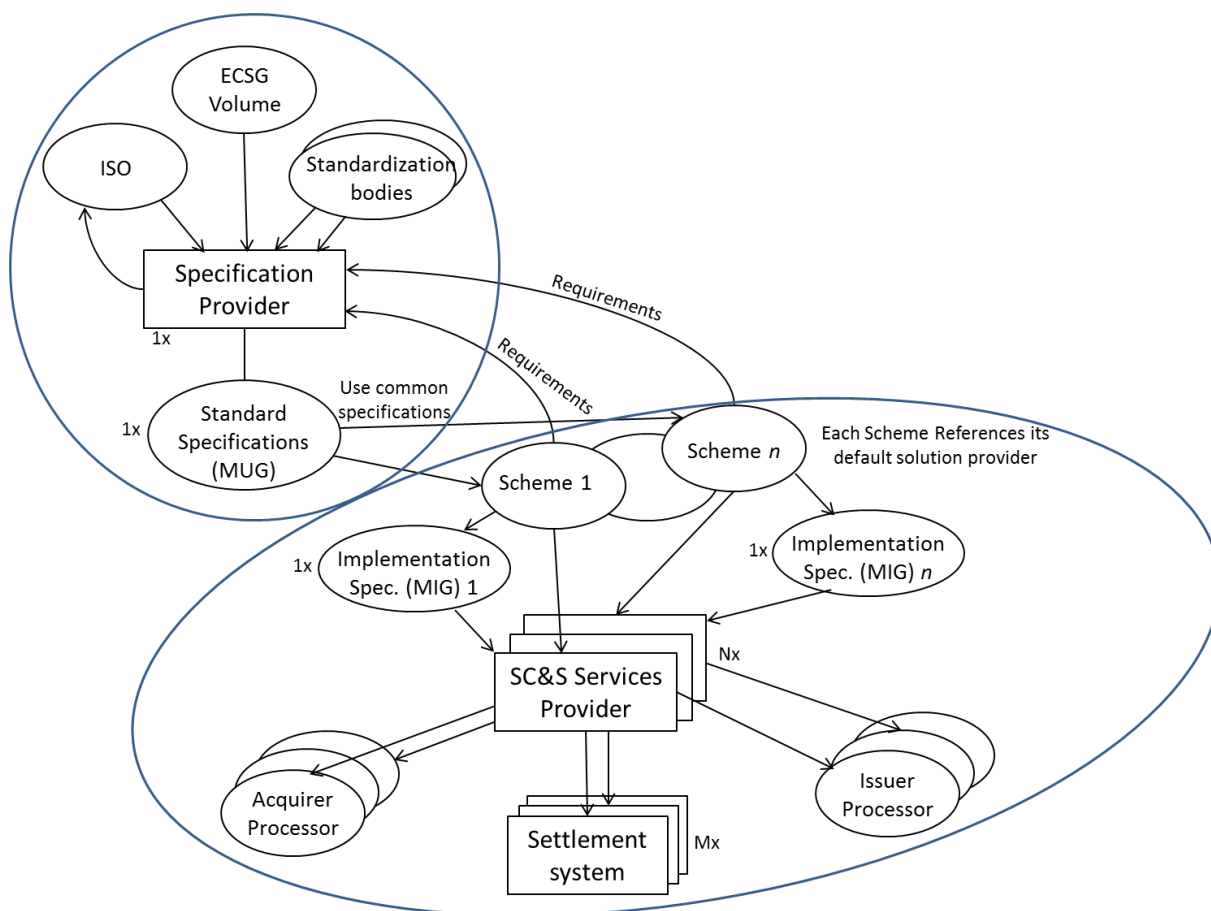
3. Framework/Ecosystem refinements

3.1. Ecosystem for a full SEPA migration

The June 2016 report to the ERPB developed in paragraph 4.2 a proposal for an ecosystem in the context of the adoption of one common protocol and set of messages for services in the acquiring to issuing domain.

The ecosystem considered two main activities, the production of specifications and the delivery of A2I services, and made suggestions to organise the relationship between these two activities.

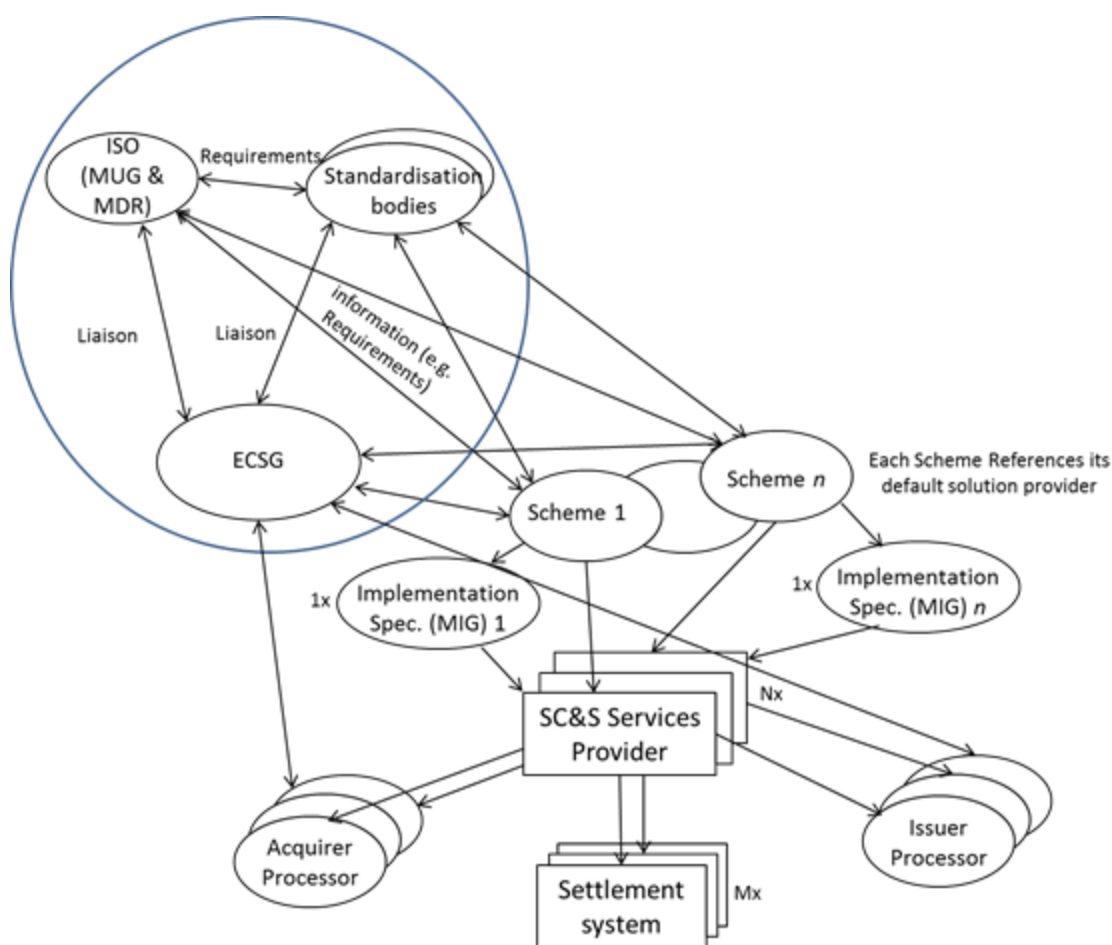The ecosystem was illustrated by the following diagram:

The proposed organisation was based on the creation of a Specification Provider who would produce one single set of Implementation Specifications, the Message Usage Guide (MUG), based on the ISO messages. This MUG would be used by all the actors in the market (Schemes, Service Providers, Processors etc.) to implement a full SEPA migration to the new standard.

3.2. Refined Ecosystem based on market driven initiatives

The above proposed ecosystem needs to be refined to reflect that there will not be a full SEPA migration to the new standard. Rather, its role will be to facilitate market driven initiatives, based on commercial decisions from market players, to implement the ISO 20022 standard.

In particular, no new Specification Provider will be created, but this facilitation activity will be carried out by the ECSG by means of a liaison with the relevant ISO Committees.

A possible refined ecosystem, which will be discussed in depth during the analysis phase, could be the following:

The present study will thus perform the analysis along the following directions:

1. Overall goals to be achieved
2. Tasks performed by the ECSG

Overall goals will be detailed and specified and will include at least the following:
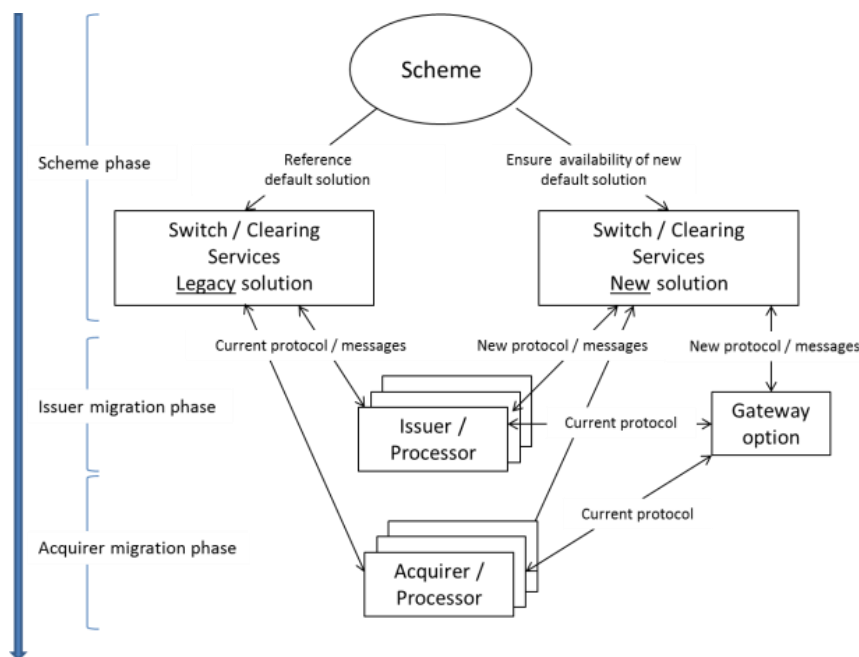
- Migration implementation definitions
- Coherence with the implementations in other regions
- Prevention of divergence in the SEPA implementations (a definition of divergence will be supplied in the final report)
- Take into account the impacts of ongoing regulation

A first list of the ECSG tasks that will be included in the analysis is the following:

- Support conformance to the Volume
- Ensure the information flows correctly from standards bodies to the market initiatives and vice versa (e.g. integrate SEPA requirements into ISO)
- Liaise with the ISO committees to ensure that the standard is aligned with the Volume and vice versa
- Monitor initiatives

4. Alternative Migration Strategies

The June 2016 report to the ERPB was based on a full SEPA migration scenario, including all the actors and the complete functionality (i.e. authorisation and clearing). The migration phases were illustrated in the following diagram:

As the context studied here consists of market initiatives, based on commercial decisions from market players, to implement the ISO 20022 standard, it will be useful to evaluate different alternative migration scenarios.

Obviously, this analysis shall explore different combinations of scenarios (e.g. Authorisation only for a single Scheme) and define a methodology to manage the combinations.

The evaluation will include at least the following list of individual scenarios (which may be completed during the analysis phase with other scenarios or variants of them).

- Scenario 1: Clearing only

This is the scenario where only the clearing functionality migrates to ISO 20022 and the existing protocols remain for the authorisation functionality.

- Scenario 2: Specific geographical zones

This is the scenario where the standard is adopted in specific regions, countries or groups of countries within SEPA.

- Scenario 3: Single Scheme or groups of Schemes

This is the scenario where one or several Schemes decide to adopt the standard.

There can be three variants of such a scenario:

  o Scenario 3a: internal migration by one or several Scheme
  o Scenario 3b: interoperability between Schemes
  o Scenario 3c: internal migration and interoperability

- Scenario 4: groups of processors

This is the scenario where a group of processors implements the standard between themselves. It will be important to understand the implications of such a scenario as there are constraints linked to Scheme rules and contractual obligations with Issuers and Acquirers that need to be taken into account.

- Scenario 5: Authorisation only

This is similar to scenario 1 on the Authorisation functionality side.

The prerequisites for those alternative scenarios will also be analysed and stated within the final report.

5. Liaison with ISO committees

1. Definition of the perimeter

The objective of such a liaison is for the ECSG to be the relay between the market and the ISO committees to ensure the consolidation of European stakeholders requirements and the correct flow of information between them.

It will therefore be necessary to identify all the ISO committees, working groups and standardisation bodies working on ISO 20022 the ECSG will need to liaise with, including, but not limited to:

- TC68-SC7/TG1(ATICA)
- Card SEG
- Berlin Group
- …

Any group that has an impact on ISO 20022 in the SEPA Acquirer to Issuer domain may have to be considered (for instance nexo).

2. Definition of the tasks of the ECSG liaison entity

The analysis will list and define which tasks are in scope and which ones are out of scope.

These tasks will be derived from those that will be identified in the ecosystem (see chapter 3).

The analysis will also evaluate the possibility for the ECSG to participate directly to ISO or other groups.

3. ECSG liaison entity

One or several organisation models for the liaison entity will be proposed to the ECSG board.

6. Conclusions

The ECSG feels confident in delivering a final report for the June 2017 ERPB meeting based on the action plan described in the present interim report.