European Payments Stakeholders Group

Report

Annual Stock Taking Exercise

ERPB meeting - November 2023

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1. Executive Summary

For the 9th consecutive year, the European Payments Stakeholders Group (EPSG) welcomes the opportunity to report to the ERPB the status of the preceding 12 months work on SEPA Cards standardisation.

The most important change since the last report was indicated by the ratification of the ECSG Board's proposal to expand the scope beyond card payments by the ECSG's General Assembly on 1 December 2022 and to change the name to European Payments Stakeholders Group (EPSG). Subsequently, a Transition Task Force was established to investigate impacts of and solutions to handle the new approach. These efforts resulted in a pragmatic and simple proposal to keep the current work and Volume structure with an enhanced membership including new members which can in particular contribute to SEPA standards for non-card payments. Decisions are expected by the EPSG Board in November 2023 including more detailed priorities and topics to focus on. It is crucial to mention that the EPSG will rely on a close cooperation with the EPC and ERPB to benefit from their experience and expertise in the domain which is new to the EPSG.

Another important event was the publication of Volume v10 in October 2022. The main contents are described in chapter 3 and in our previous report. According to that information updates compared to v9 relate mainly to Merchant Initiated Transactions and Acceptor Initiated Transactions in Book 2 and to security requirements to accommodate the use of mobile-off-the-shelf devices as payment terminals in Book 4. A Bulletin on functional and security requirements for contactless card payments basing on relevant input from EMVCo standards (Book E) and completing v10 is currently being worked out and will be published early in 2024.

Because 2023 is the first year of the Volume's three years release cycle it was in particular used to collect new relevant contents for new SEPA standards in v11. The Innovation Expert Team is analysing in this regard whether e.g. Digital Wallets, ID management for payments or browser optimizations as those guided by the W3C should be included in the new Volume version. The evolvement of Post-Quantum Cryptography remains a cornerstone of this Team's work. On the other hand, the EPSG has already integrated new contents in the Volume Books. This mainly applies to the integration of the EU Accessibility Act, the ERPB Transparency Recommendations for Retail Payment End-Users, a further security programme for COTS using PINs for contactless transactions and the above mentioned functional and security requirements for contactless payments provided by EMVCo.

Facing the European Commission's heavy work on new regulations being published or being under way the EPSG optimised its working structure and will establish a dedicated Payment Legislation Expert Team to analyse regulations specifically related to payments. Regulations not directly linked to payments will be assessed on their Volume relevance within the new R(Regulation)-Volume Inclusion Assessment Criteria method by the Innovation Expert Team. The DORA regulation was the first candidate to be analysed. More details are provided in chapter 3.2.

The main European Implementation Specifications achieved a Volume Label-update for v9. The improvement of the labelling process itself will be designed and implemented in 2024. Details are provided in chapter 3.3.

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As part of the general effort of promoting payments industry harmonisation, the EPSG regularly posts articles and other content related to the payments sector through [social media.](#)

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2. The new European Payments Stakeholders Group

The ECSG Board's proposal to expand the scope of the association beyond card payments was ratified by the General Assembly during its meeting on 1 December 2022. To reflect the new scope, the General Assembly also adopted the new name of European Payments Stakeholders Group (EPSG) and approved the setup of a task force dedicated to the management of the transition.

In a first step the expanded scope will primarily focus on instant payments.

The Transition Task Force has assessed existing initiatives in the domain of instant payments and made a work organisation proposal to the Board:
- Priority on the topics to be addressed, e.g.
  - QR Codes
  - NFC
  - RTP services
- Collaboration with other groups working on the subject, leveraging the findings of their deliverables: first of all the EPC's MSG MSCT guidelines and the ERPB's requirements for consumer selection of payment instrument.
- Integration of the new topics in one single deliverable called the SEPA Payments Standardisation (SPS) Volume, composed of the current SCS Volume 7 books and one annex; the current Expert Teams that manage the Volume will remain with an expanded membership.

To carry out this expanded work, the EPSG invites all the stakeholders active in the management of instant payments to join the association and contribute to its activities by bringing their expertise in the subject.

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3. Update on the Card standardisation in Europe

The Volume v.10 was released in October 2022, earlier than planned.

3.1 2023-2025 Volume cycle towards v.11

In line with its three-year release schedule, the EPSG activity in 2023 has been focused on starting discussions for the content of Version 11 of the Volume that for the first time will also include requirements for instant payments.
The Book 6 will be particularly impacted as it needs a thorough revision.
The EPSG is also working on a Bulletin to update the Book 2 and Book 4 of Volume v.10 in order to include ECC cryptography. For further details refer to section 3.6 of this document.
Version 11 will also include other regulatory aspects such as transparency and accessibility guidelines. The following section of this document provides with details.

3.2 Regulatory Updates

The EPSG Board has decided to optimise the internal processes for a more efficient analysis and impact assessment of the relevant EU regulatory frameworks. The work is likely to be carried out along the following four concrete lines of action:

1. The categorisation of the relevant EU regulations in five domains: Payments, Cybersecurity, Data Protection, Access to Services and Anti-Money-Laundering.
2. The prioritisation of the evaluation of new regulations: DORA, Cyber Resilience Act and the new regulation proposals for PSD3 and Payment Systems Regulation (PSR).
3. The transformation of the former PSD2 Task Force into a permanent working group, the Payments Legislation Expert Team, focusing on regulations specific to payment products and services (e.g., the Instant Payments Regulation and the upcoming PSD3, PSR and the revised Interchange Fee Regulations).
4. The assignment to the Innovation Expert Team of evaluating those regulations which are not directly related to payments but might have an impact on payment products and solutions and therefore have an impact on the requirements of the Volume. A specific template has been developed for the evaluation of these regulations that has been used for a first analysis of the DORA.

Last year, the Volume Sub-group paid particular attention to the evaluation of regulations improving the consumer experience:
(1) by identifying guidelines to facilitate access to payment for persons with special needs, and
(2) by integrating in the Volume the ERPB's recommendations on Transparency for retail payment end-users, in order to improve the verification by the consumer of their card and account payment evidence.

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3.3 Progress in Volume Conformance

The Volume Conformance Management Committee (VCMC) has continued its ongoing activity of evaluating and granting labels for implementation specifications.
The process was confirmed by the Board to continue to be based on two pillars:
- Self-Assessment
- Voluntary nature

Most of the main pan-European implementation specifications had already obtained a label in the past and with the publication of the Volume 9 in January 2020 some have renewed their label. This is the case of the Berlin Group for their SEPA Card Clearing (SCC) format, girocard for their terminal and processing specification and of nexo for their nexo-FAST terminal specification.

The actual, detailed status of the labelled specifications can be accessed on the VCMC web page.

These labels have been issued following an enhanced process using a checklist of individual functional requirements which leads to more clarity of the labelling process and results in a larger degree of accuracy regarding the Self-Assessment process, both for the applicant and the VCMC.

Also, the optional applicability of the labelling process for security requirements has been clarified. This enhancement, however, requires an update of the labelling principles described in Book 5 "Conformance Processes" taking into account that implementation specifications mostly do not cover security requirements as defined in Book 4 "Security Requirements". The current discussions therefore consider labelling specifications or security documents listing the security requirements to be met by components covered by the Volume such as smartcards or terminals.

As part of the adaptations necessary to implement the expanded scope into the different EPSG processes and workstreams, the VCMC will work to put the necessary processes and documentation in place to accommodate the labelling of non-card implementation specifications.

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

3.4.1 Context

Since 2017, the ECSG (now EPSG) Volume Sub-Group has been monitoring the status of the initiatives to use ISO 20022 in the card A2I domain in the market, in order to identify specific SEPA requirements to be taken into account, e.g., triggered by Schemes or by Regulation.

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3.4.2 Current status

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

The same two initiatives as last year are using ISO 20022 in the card A2I domain.

- o The SEPA Card Clearing (SCC) Framework, which specifications have been labelled as conformant towards the SCS Volume Version 8.0, and the conformance has just been renewed against v9.0.

- o ATICA provides a specification covering the full transaction life cycle (Authorisation, Clearing, Settlement and Disputes) within the Acquirer to Issuer environment. The latest version is version 3, published by ISO in July 2022.

3.5 Standardisation progress in the Card-to-Terminal, Terminal-to-Acquirer and Acquirer-to-Issuer domains

The main updates for v10 of the Volume apply to:

- Additions and clarifications to the functional requirements listed in Book 2 as well as the introduction of Secure Remote Commerce, Acceptor and Merchant Initiated Transactions.
  Namely:
  - o Reference to SRC specifications has been introduced along with relevant definitions that entailed the revision of Remote Transactions with Stored Card Data.
  - o A Bulletin was published in October 2021 to integrate MITs in the Volume before the publication of version 10. The Bulletin provides clear definitions of an MIT, of the mandate authorising the payee to initiate the MIT, and of the new term "Acceptor Initiated Transaction (AIT)" to also cover a Card Transaction initiated by the Acceptor (merchant) based on stored Card Data where the Acceptor is the payer, together with updates to terminology related to functional requirements and implementation guidelines.

- Integration of a guidance for PSD2-related requirements (such as Merchant Initiated Transactions), non-standard card acceptance (i.e. magnetic stripe, signature on paper), and Card Data Retrieval for Virtual POI from the former Annex 1 within Book 6.
  The Book 2 (functionality) and Book 4 (security) Expert teams, in alignment with EMVCo, are working to extend existing Volume requirements to include the ECC (Elliptic-Curve Cryptography) based protocols XDA for contact, BDH Secure Channel and RRP for contactless transactions. The objective is to publish changes related to ECC in the form of a Bulletin amending Volume v10.

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3.6 Standardisation progress in the Terminal Security domain

In Book 4 of Volume version 10 Commercial-Off-The-Shelf programmes were integrated following a paradigm shift in the industry from traditional payment devices relying on hardware security as the primary protection mechanism to a new payment acceptance method utilising Commercial Off-the-Shelf (COTS) solutions. Instead of relying on physical security the assurance of these COTS solutions moves to initial security evaluations and continuing monitoring by a back-end system. The Volume version 10 was updated with the COTS methods

- contact card payment with PIN on COTS, requiring a secure card reader, and
- contactless card payment without PIN on COTS.

The third variant, contactless card payment with PIN on COTS, will be integrated based on the industries' published security programmes and their assessment by the EPSG's Innovation Expert Team.

According to a Board decision the EPSG's Volume Sub Group continuously monitors the announcements by the card payment cryptographic community, and in particular the relevance for the European card payments industry of the Quantum-Resistant (post-quantum) algorithms. In this regard EMVCo have released their Elliptic Curve Cryptography (ECC) specifications for contact transactions and just recently in 2023 a second set of specifications to secure contactless transactions, using a secure channel between the card and the terminal established using an ECC protocol.

As a result, both the Book 2 and the Book 4 could be updated by the relevant EMVCo ECC specifications for the card and also including a reference to the EMVCo C-8 specification for the Relay Resistance Protocol. This update decisively completes the security requirements of the Volume for contactless transactions and could be achieved by the long-awaited harmonisation of these requirements by the card schemes.

The EPSG is planning to publish this update in a Bulletin into Volume v10.

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4. Ongoing EPSG activities for Volume v11

The EPSG has already turned its attention to the impact of technological innovation, payment-related regulations and the initiatives of other standards bodies on the development of Card payment in SEPA to prepare v11 of the Volume.

4.1 Evolution towards enhanced cryptography

EMVCo has published in June 2023 the first version of Book E for the security of contactless card transactions. These mechanisms have been designed to reinforce existing cryptographic methods, protect customer data privacy and counter relay attacks. Therefore, the Bulletin to be integrated in Volume v10 mentioned in paragraph 3.6 will include these new security functionalities.

4.2 Cooperation with the ERPB

The association continued during the last year to collaborate with the ERPB on the topic of Transparency for retail payment end-users.

An ad-hoc Working Group managed by the ERPB led to a report with several recommendations endorsed by the June 2021 ERPB meeting, followed by an impact assessment in the first half of 2022, endorsed by the July 2022 ERPB meeting.

At that time, the ECSG contributed to the impact assessment in what the "Payment schemes" category of addressees is concerned in the recommendations.

The Board in its meeting on 22 September 2022, agreed to open an action for its expert working groups to look at the recommendations, including the three proposed actions involving the association and assess possible impacts on the SEPA Volume. In parallel, a letter was sent to the ERPB Secretariat clarifying that, within the context of its scope, the association will not be able to fulfil the "monitoring" role of the Payment Schemes assigned in the ERPB report, as this is not part of its mandate.

The working groups determined that the following books in our Volume are impacted by the recommendations:
- Functional Requirements
- Implementation Guidelines
- Processing Framework

The task of updating these books has been assigned to the EPSG Expert Teams responsible of the maintenance of each respective Book.

The EPSG continues to report on the implementation of standards related to payment cards (the present document).

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4.3 Innovations in Card and Instant Payments

During the first year after the publication of Volume v10, a particular effort was made by the Innovation Expert Team (Inno ET) to investigate card-based technologies for potential inclusion in the Volume v11. As a result of the EPSG scope expansion, the Inno ET has also started the analysis of projects and technologies appropriate for instant payments initiated either using an NFC interface or a secured QR-Code.
In particular, the Inno ET is investigating/planning to investigate:

1. New approaches for online card payments improving the customer journey at check-out using Strong Customer Authentication models minimising the interactions of the payer with the user interface,

2. The use cases for payments of Digital Wallets, either e-IDAS v2.0 or privately issued, in order to facilitate customer enrolment and/or support access to payment instruments,

3. The interactions between ID management and Payment systems, the management of credentials (identity, payment security) to facilitate compliance with the upcoming regulatory framework,

4. Mechanisms for the selection of the payment instrument at the POI, compatible with different communication channels (contactless, wireless, QR-codes),

5. After a certain number of years in stand-by Internet of Things use cases for card payments are emerging with pilots presented by the Petrol Industry.

In Q4 2023 the Inno ET will deliver their proposals to the EPSG Volume Sub Group and the EPSG Board for the inclusion of innovative technologies in the programme of work for the Volume v11.

4.4 Collaboration with standardisation bodies and specification providers

The EPSG continues to collaborate with internationally recognised Standards bodies with whom they have already established formal liaisons, such as EMVCo and PCI-SSC.
In the context of the new scope implementation, the EPSG is evaluating the establishment of new liaisons with other standardisation bodies like W3C, FIDO, etc.

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5. Conclusion

Since the last report, the ECSG has successfully continued working to take into account the evolutions of card payments in terms of innovation (e.g. further programmes for the use of mobile-off-the-shell devices as payment terminals and enhancements for contactless payments), regulations (e.g. the impacts of the EU Accessibility Act and the ERPB Transparency Recommendations) and the changes in the technological context (e.g. the eIDAS Regulation, digital Wallets and, still, enhanced cryptography following the advance in quantum computing), with the aim to reflect this work in the Volume v11.

However, 2023 was a year of changes for the association following the decision to expand its scope beyond card payments and to do all the transition work allowing for a good start of the work in the new domain and building a design which allows for synergies wherever possible and applicable.

In November 2023 the EPSG will take the necessary decisions on the process and the next steps. This will include a call for experts who can in particular contribute to the development of SEPA standards for non-card payments.

Also related to this change the EPSG is looking forward to the ongoing collaboration with the EPC and the ERPB by benefitting from their existing expertise in instant payments.