Marking the cards for a Single Euro Payments Area

The EPAS project set out to overcome obstacles to the interoperability of electronic payments schemes in a single European market. EPAS aimed to contribute to the achievement of a Single Euro Payments Area by delivering three major card-based protocols built on open and interoperable standards. An additional objective was to extend this valuable experience to the worldwide sphere of card payments through an ISO 20022 universal standardisation process.

The European banking industry, the European Central Bank (ECB) and the European Commission are working together to ensure the successful creation of the Single Euro Payments Area (SEPA). SEPA will make it possible to make and receive payments in euro between and within countries under the same conditions anywhere in the area. This will ensure that consumers, businesses and public administrations will be able to make cashless payments from their domestic accounts to anywhere within SEPA.

An integrated market for payment services entails the removal of all technical, legal and commercial barriers between current fragmented national payment markets. By developing and using open and common standards, enhancing competition and improving payment services, SEPA will foster a more competitive, reliable and cost efficient payments market across the euro area. This will make it possible to use bank debit cards to make payments abroad in euro, just like at home.

To avoid unnecessary legislation, banks, retailers, vendors, services providers, card schemes and users teamed up in the EPAS project to deliver the necessary standards to meet the need for global payment standards by 2010. This will ensure the successful creation of a single market for card payments in Europe and ensure the emergence of new innovative and competitive payment solutions.

CREATING NECESSARY CONDITIONS

From its inception, EPAS created the necessary conditions to reach SEPA’s objectives of achieving the same user experience throughout Europe by:

- Involving the key stakeholders in card-payment, manufacturing and software-development services — including several major multinational issuers and acquirers;
- Clearly identifying the business requirements involved; and
- Ensuring a universal solution that could — through ISO 20022 — become the worldwide standard for interoperable payments by cards.

Overall, EPAS has delivered a series of specifications that will enable a smooth migration from today’s non-interoperable and proprietary solutions to new electronic retail payments systems that will allow banks and retailers to maintain separate card-handling systems per country.

The harmonised development of electronic card payments in Europe will offer substantial savings in cash-management operations for retailers — particularly multinational companies that now have to maintain separate card-handling systems per country. The new system will lead to real competition between card-handlers as European-wide operations become possible.

Small retailers will benefit as they will only need one type of terminal to handle all types of card operation. And consumers will profit from more efficient card payments at a lower cost — ensuring fast and secure transfers between bank accounts anywhere in the euro area, and making it possible to use bank debit cards to make payments abroad in euro, just like at home.

The work involved developing three major elements involved in point-of-interaction (POI) transactions:

1. A terminal management system (TMS) involving data transfer, including encryption, and maintenance; this ensures easier payment systems administration and suitable security.
2. A retailer protocol covering administrative, payment-services and device-services exchanges; it ensures a clear separation between sales and payment functions, removes dependencies between payment services and products, and offers a common protocol for all types of architectures and environments.
3. An acceptor-acquirer protocol covering authorisation, completion, rejection, reconciliation, diagnostic and specific service exchanges; this offers a single common solution for multiple acquirers, removes local and regional constraints and embeds security.

A first working demonstration of the EPAS standard took place at the Cartes et Identification show in Paris in November 2008. Partners Ingenico and Hypercom demonstrated how their payment terminal solutions could be interconnected with acceptor protocols supplied by Atos Worldline, an issuer simulator from Expertis, a TMS protocol from SRC and retailer protocol systems from Nachtrieb & Bachtien and Wincon-Nixdorf. GALITT and Integri provided software simulators for this demonstration environment.

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