

## ITEA Success Story

# NEXO

## Universal card payment standards built upon the expertise of the ITEA EPAS project

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The ITEA EPAS project was initiated several years ago in the framework of the SEPA (Single Euro Payments Area) project led by the European Central Bank and with the strong support of the European Commission. SEPA aimed at facilitating payments in Europe beyond national borders in order to achieve a single domestic market of payments.

The project, eventually retained by ITEA for funding, gathered various actors belonging to the European card payment industry such as Groupement des Cartes Bancaires, Ingenico, ATOS Worldline, Verifone, Wincor-Nixdorf, Total, Equens and many others. The aim of this project was to involve the main actors of the card payment industry to deliver global standards that would enable European retailers to rely on common specifications for their card acquiring operations.

This project would provide benefits to all industry stakeholders through the use of universal standards to be made available not only in Europe and SEPA but also worldwide. The standards would enable banks, retailers, card schemes, processors and manufacturers to rely on or to deliver on-the-shelf readily available specifications available free of charge to all card payment stakeholders as well as to meet SEPA requirements for a single market for payments in Europe.

### **A singular success**

The EPAS project was a major success since it became the reference for delivering a series of universal norms meeting the objective of SEPA as mandated by the European Commission and the European Central Bank. In October 2009, EPAS received a silver medal at the ITEA Achievement Award ceremony in Madrid for the outcome of its work. A formal legal structure was then set up with the aim of providing a global platform for the further maintenance and evolution of the standards and also of ensuring the promotion of those standards. EPASOrg was consequently created in Brussels in November 2009 in the

form of a not-for-profit international (A.I.S.B.L.) association governed by Belgian law. A year later (November 2010) EPASOrg delivered the very first series of universal ISO 20022 standards for card payments (ISO 20022 CAPE messages for acceptor to acquirer transactions and ISO 20022 CAPE messages for terminal management).

ISO 20022, an initiative set up with the active participation of SWIFT acting on behalf of the worldwide financial community, provides a single standardisation approach (methodology, process, repository) to be used by all financial standards initiatives. EPASOrg became the very first organisation to issue universal ISO 20022 messages for card payments following the same rules, methodology and processes as for all other universal financial messages developed for domains such as payments, securities, trade services and forex exchanges.

### **Agreements and cooperation**

In January 2013, IFX (Interactive Financial eXchange) Forum – an international not-for-profit industry association whose mission is to develop



and promote adoption of open, interoperable standards for financial data exchange – and EPASOrg signed a Memorandum of Understanding where both organisations agreed to develop in common a series of new ISO 20022 standards for ATM (Automated Teller Machine) cash withdrawals and deposits. In October 2014, OSCar and CIR joined the EPASOrg legal structure to create ‘nexo’, a new name given to an organisation whose aim is to design, develop, promote and maintain card payment and cash withdrawal standards, protocols and implementation specifications under a universal ISO 20022 standardisation process.

Numerous key actors of the card payment industry decided to join the new enlarged structure so that today nexo counts among its members some key organisations such as ACI Worldwide, First Data, Visa, AMEX, Auchan, Carrefour, Total, AccorHotels, LVMH, BNP Paribas, UniCredit, Crédit Agricole Cards & Payments, Crédit Mutuel-CIC as well as most domestic card schemes in Europe.

As card tokenisation was becoming a major issue for both domestic and global card schemes over the past few years, nexo decided to issue an ISO 20022 Business Justification (the first steps of any ISO 20022 standardisation process) in February 2014 to initiate work in this particular domain with the aim of reducing card payment fraud; a major concern for banks, retailers cardholders and card schemes not only in Europe but also worldwide.

More recently, nexo signed a cooperation agreement with IFSF (International Forecourt Standards Forum) in the UK and Connexus (fuel retailing and convenient stores industries) in the US aimed at supporting, with the nexo standards, the necessary data elements required by both the global petrol and convenient stores industries to conduct card payments on an international basis.

### Implementing nexo standards

Today Europe is leading the implementation of nexo standards after some key European tier-one retailers active in both the petrol and retail domains requested their banks to support the nexo standards as a replacement for or in addition to the current domestic ones. In June 2015 nexo released a study entitled “*Understanding the benefits of adopting nexo standards*” (paper copies available on request). This white paper dedicated to retailers and commissioned to Edgar, Dunn & Company (EDC) outlined the benefits of relying on nexo standards to overcome the interoperability hurdles that exist today, especially in Europe, as regards cross-border card retail payments.

Edgar, Dunn & Company clearly stressed in its study the benefits for retailers to rely on open, universal and royalty-free international standards since the retailers interviewed by EDC considered those standards as the natural choice for next generation card payment processing systems. The study also revealed that the adoption of nexo standards as part of new payments platform could generate cost savings in excess of 20%, would reduce implementation time by at least four months and significantly improve retailers’ purchasing negotiation positions and, last but not least, would reduce processing charges and lead to a market of cheaper point-of-sales terminals.

Several French banks are currently in the process of implementing nexo standards and major retailers such as Auchan and Carrefour have already announced their commitment to rely on the implementation of the nexo standards for their international cross-border operations. Retailers have reported that nexo would additionally generate efficiency improvements and increase competition across the different touch points of payments processing.

The revised Directive on Payment Services (PSD2) issued in late October provides the legal foundation for the creation of an EU-wide single market for payments. The revised regulation aims at establishing a modern and comprehensive set of rules applicable to all payment services in the European Union. The target is to make cross-border payments as easy, efficient and secure as ‘national’ payments within a Member State. The PSD also seeks to improve competition by opening up payment markets to new entrants, thus fostering greater efficiency and cost-reduction. At the same time the Directive provides the necessary legal platform for the Single Euro Payments Area (SEPA).

### Not a case of ‘if’ but of ‘when’

EPASOrg’s initial choice within the ITEA programme to target SEPA requirements and opt for ISO 20022 – the choice of today’s global universal financial industry – was a wise decision since there is a general consensus today to consider that there are no serious alternatives to using nexo card payment standards in the future. Major international card schemes such as Visa, MasterCard, AMEX and Discover have ultimately come to the conclusion that ISO 20022 in the card payment acquirer-to-issuer relationship would lead to a replacement of the ISO 8583 industry standard that is currently extensively used by networks and other industry stakeholders for card transaction processing worldwide.

It is now more a question of when to move to nexo card payment standards than whether to do so. The ITEA framework has therefore given to this European initiative the necessary incentives and impetus to initiate this important standardisation work which has become today the reference for card payments not only for Europe but also worldwide.