ATMIA Participates in Federal Reserve Bank/X9 Committee Meeting

PHILADELPHIA, PA, December 9, 2013 — ATMIA was invited to participate in a meeting hosted jointly by the Federal Reserve Banks of Philadelphia and Minneapolis and the X9 Accredited Standards Committee on December 9th and 10th. The topic was "Integrated Chip Payment Standards: The Next Generation". Participation was by invitation only. Of the 75 that were invited, 57 accepted, but a number of them were delayed/obstructed by the weather – making for an even smaller working group. Invitees included 21 members of the EMF and 12 members of ATMIA.

Although the announced purpose of the meeting seemed a bit vague, what quickly emerged was an effort to determine whether new standards could benefit the ongoing challenge of finding a workable EMV debit solution. The group was tasked with:

- Identifying/addressing gaps in the debit ecosystem;
- Determining whether standards are needed;
- And if so, what standards would be needed/helpful;
- Determining next steps.

Representatives from ANSI, ASC X9, and SWIFT discussed the value of standards and their individual standards processes. All recognized that there are instances where proprietary standards can become part of a new open standard. Generally, the preference is for standards that are performance-based rather than design-based. (The example given was a standard for how a pen works, rather than what it looks like)

Another important factor to consider is whether or not a particular standard will actually be implemented. It makes little sense to devote two years or more to developing a standard that no one will use.

The current state of EMV migration was discussed in some detail, including the solution originally offered by SRPc. The ten-network consortium that began looking at an independent solution last year (including AFFN®, ATH®, CO-OP Financial Services®, NETS®, NYCE®, Presto!®, PULSE®, SHAZAM®, and STAR®) announced the formation of the Debit Network Alliance on December 11, 2013. Their solution goals are to maintain portability, provide support for all CVMs, and offer equal technology access and governance to all member networks. DNA was created to provide structure for governance, deployment and implementation of the solution.

MasterCard and Visa stated publicly earlier in the year that they have reached out to other networks to license their technology. But from what is known so far, those agreements are bi-lateral in nature.

Interac presented a rather detailed overview of the Canadian EMV migration. Interac started as an ATM service, but today is also involved in Point of Sale and Person-to-Person transfers. A 10-year time frame was established to fully complete their EMV migration. All cards and ATMs were required to be converted by the end of 2012.

Although Interac is the primary force in that market, they set up an entity to develop the EMV standards, provide governance, and own some of the EMV intellectual property. It is owned jointly by the five major stakeholders in the Canadian EMV environment. All have an equal voice. Interac was determined that the effort not be solely focused on issuer needs.

During discussions of the current EMVco standard, it was noted that a new open consensus standard could begin with existing standards – whether or not they are proprietary. Various comments were made regarding EMVco's relative lack of knowledge about the U.S. market and the fact that there was little representation from the U.S. All of which seems out of place considering the size and complexity of our market.

Following these initial discussions, meeting participants were divided up into five groups, pre-assigned by the organizers. Each group was asked to identify the top five pain points within the current EMV roadmaps. And consider what gaps in the EMV standard could potentially be filled by an open standard. Each group then reported back on its findings.

The determinations of the individual groups were collected and presented to all. It was quite interesting to see how similar the issues were from group to group. The top five pain points were identified as:

- The need for a common AID/solution;
- Potential security gaps (both PAN and PIN are in the clear on the chip);
- Migration of fraud to CNP;
- The proprietary nature of the EMV spec;
- Mobile in general – potential fraud, future-proofing.

Other factors of concern noted were:

- Business issues are more of an issue than the technical challenge;
- Deadlines/liability shifts/regulatory uncertainty;
- Inconsistency of testing across the brands;
- Limitation of routing options;
- Potential obstacles to innovation.

A final determination of the top five pain points will be circulated to the full group, along with meeting notes and next steps. It is anticipated that this group will meet again early in 2014 to consider further actions.