

**ANSWERS TO THE EUROPEAN CENTRAL BANK/ EUROSYSTEM  
TERMS OF REFERENCE FOR THE SEPA COMPLIANCE OF CARD SCHEMES**

1.	<p><b>The scheme’s rules should not prevent that merchants and cardholders<sup>1</sup> are offered the same service from the scheme, wherever the scheme operates in the euro area –that various add-ons (i.e. the various additional functionalities to the basic card and terminal functions) should not hamper interoperability.</b> (November 2006 report)</p>
1.1.	<p><b>Is it ensured that scheme rules do not prevent that merchants and cardholders are offered the same service from the scheme, wherever the scheme operates in the euro area?</b></p> <p>Yes. The German banking industry operates the “German ATM system” as well as the debit POS-system “electronic cash”. The underlying agreements do not contain any geographical limitation to the participation of banks and/or service providers Accordingly access to both schemes managed by Zentraler Kreditausschuss is open to any bank, regardless, whether it is located in Germany or outside Germany. Banks in Germany become member of the schemes via their associations, which are partners of the agreements, constituting the respective systems. With the transposition of the PSD into national law, access to these schemes will be open to payment institutions as well.</p> <p>The agreements constituting the schemes managed by Zentraler Kreditausschuss are publicly available at no cost. Accordingly, the participation criteria in the schemes managed by Zentraler Kreditausschuss are transparent and non-discriminatory. In particular, they do not distinguish between banks subject to supervision in Germany, and banks subject to supervision by supervisory bodies from other SEPA countries, and conducting their business in other SEPA countries.</p>
1.2.	<p><b>Is it ensured that scheme rules (especially those related to technical and business aspects) do not prevent that cards of other schemes are used at terminals where the cards of your scheme are accepted, despite the various add-ons (i.e. additional features to the basic payment function) offered by your scheme on cards and terminals?</b></p> <p>Yes. As long as the security requirements of another scheme are not in conflict with the security requirements of the schemes managed by Zentraler Kreditausschuss, the acceptance of cards of other schemes is not prevented at terminals where cards of the schemes managed by Zentraler Kreditausschuss are accepted.</p>
2.	<p><b>A scheme should be compliant with the transposition into national law of the PSD provisions about surcharging.</b> (November 2006 report)</p> <p><b>Is the scheme compliant with the transposition into national law of the PSD provisions about surcharging?</b></p>

	<p>Yes.</p> <p>Dependent from the transposition of the PSD into German law, surcharging will be allowed from November 2009 onwards in the debit POS-system "electronic cash".</p>
3.	<p><b>Card schemes must ensure that merchants (or ATM owners) are not prevented from accepting any card from another SCF compliant scheme. (SCF)</b></p> <p><b>Are merchants or ATM owners accepting the cards of your scheme free to accept any card from another SCF compliant scheme?</b></p>
	<p>Yes.</p>
4.	<p><b>SCF compliant schemes may not mandate any certification (certification of cards, terminals and/or network interfaces) to be performed only by a proprietary (owned or controlled by the scheme) certification body. (SCF)</b></p> <p><b>Does your scheme allow certification of cards, terminals and network interfaces to be performed by certification bodies which are not proprietary?</b></p>
	<p>Yes. The schemes managed by Zentraler Kreditausschuss accept certifications from different bodies, e.g. EMVCo or certification bodies for other schemes in Europe, for the approval of payment system components, as long as the underlying criteria of a certification match with the approval criteria of Zentraler Kreditausschuss. The final approval rests with the scheme.</p>
5.	<p><b>Any transfer of personal data<sup>3</sup> in a non-aggregated form to countries that are not compliant with the EU rules should be avoided. (November 2006 report)</b></p> <p><b>Is any transfer of personal data in a non-aggregated form to countries that are not compliant with the EU rules avoided?</b></p>
	<p>Yes</p>
6.	<p><b>A scheme should effectively remove from its rules clauses that function as commercial barriers to SCF compliance (e.g. a requirement to be member of the scheme in order to operate in a country). (November 2006 report)</b></p> <p><b>Is it ensured that the scheme's rules do not include any clauses that function as commercial barriers to SCF compliance?</b></p>
	<p>Yes</p>
7.	<p><b>Medium to long term plans of the scheme should not contradict the objectives of SEPA as a highlevel requirement. (November 2006 report)</b></p> <p><b>Is it ensured that the medium to long term plans of the scheme are not contradicting the objectives of SEPA as a high-level requirement?</b></p>
	<p>Yes</p>
8.	<p><b>Each card scheme will make available to its participants – and upon request to overseers - a set of operational quality benchmarks, and how</b></p>

	<b>they are policed. (SCF)</b>
8.1.	<p><b>Has your scheme made available to participants its set of operational quality benchmarks (e.g. system availability, maximum time foreseen for transaction authorisation)?</b></p> <p>Yes. Operational quality (e.g. processing times of terminals) is measured. However no benchmarks have been set in order to stipulate permanent technical improvement based on the competition of manufacturers. Accordingly only the concept for measuring of processing times has been published. The implementation of further quality benchmarks with regard to the availability of the network is foreseen.</p>
8.2.	<p><b>If requested, has your scheme made available to overseers its set of operational quality benchmarks?</b></p> <p>Up to now, the scheme had not been requested to make operational quality benchmarks available to overseers.</p>
9.	<p><b>A scheme should implement a separation of SEPA card schemes' brand governance and management from the operations that have to be performed by service providers and infrastructures without any possibility for cross-subsidisation. (SCF, November 2006 report)</b></p> <p><b>Is there a separation within your scheme of the scheme's brand governance and management from the operations (i.e. authorisation, clearing and settlement) that have to be performed by service providers and infrastructures without any possibility for cross-subsidisation?</b></p> <p>Yes</p>
10.	<p><b>Acquiring or equivalent in every scheme must be open to competition between acquirers or equivalent. (SCF)</b></p> <p><b>Is acquiring or equivalent in your scheme open to competition within SEPA, i.e. can various acquirers or equivalent compete between them throughout SEPA?</b></p> <p>Yes. The schemes managed by Zentraler Kreditausschuss are de jure based on a 3-party model, which de-facto materialises as a 4-party model with a maximum of competition on the acquiring side. The provision of terminals and technical services is managed by technical service providers (Netzbetreiber) and the provision of collection services is provided by all banks participating to the scheme in competition between each other.</p>
11.	<p><b>To qualify under the dispositions of the SCF, each card scheme must allow banks and payment institutions to participate on the basis of transparent, non-discriminatory criteria. In particular, these criteria may no more distinguish between banks subject to supervision in the same country as the country of registration of the said card scheme, and banks subject to supervision by supervisory bodies from other SEPA countries, and conducting their business in the other SEPA countries.</b></p>

	<p>Furthermore, these criteria may no more distinguish between payment institutions subject to supervision in the same country as the country of registration of the said card scheme and payment institutions subject to supervision by supervisory bodies from other SEPA countries, and conducting their business in the other SEPA countries. (SCF)</p>
11.1	<p><b>Are the criteria for participation in your scheme transparent and non-discriminatory?</b></p> <p>Yes</p>
11.2	<p><b>Does your scheme apply the same access criteria for participation to all banks within SEPA?</b></p> <p>Yes</p>
11.3	<p><b>Does your scheme apply the same access criteria for participation to all payment institutions within SEPA?</b></p> <p>Yes. The participation of payment institutions will be allowed from November 2009 onwards with the transposition of the PSD into German law.</p>
12.	<p><b>All SEPA banks and payment institutions must be able to offer basic card payment products and services throughout SEPA on the basis of a single license or comparable agreement from each card scheme without the requirement to obtain individual licenses or comparable agreements for each SEPA country. (SCF)</b></p> <p><b>Is a single license or comparable agreement of your scheme sufficient to offer basic card payment products and services throughout SEPA?</b></p> <p>Yes</p>
13.	<p><b>At their discretion, banks and payment institutions must be able across SEPA to enter solely into an issuing licence. (SCF)</b></p> <p><b>Are banks and payment institutions participating in your scheme able to act as issuers only?</b></p> <p>Yes. None of the schemes managed by Zentraler Kreditausschuss requires participating banks to participate at the same time as issuer and as acquirer. Participating banks are able to offer their services across SEPA only for issuing or only for acquiring activities.</p>
14.	<p><b>At their discretion, banks and payment institutions must be able across SEPA to enter solely into an acquiring licence. (SCF)</b></p> <p><b>Are banks and payment institutions participating in your scheme able to act as acquirers only?</b></p> <p>Yes. None of the schemes managed by Zentraler Kreditausschuss requires participating banks to participate at the same time as issuer and as acquirer. Participating banks are able to offer their services across SEPA only for issuing or only for acquiring activities.</p>
15.	<p><b>A scheme may not require the use of any particular provider of processing services as a condition for participation. (SCF)</b></p> <p><b>Are banks/payment institutions able to participate in your scheme</b></p>

	without being required to use a particular provider of processing services?
	Yes
16.	<p>All transactions are to be authorised by the issuer, either on-line, or off-line by the chip. (SCF)</p> <p>Are in your scheme all transactions – except for exceptions such as some low value transactions or specific environments such as tollways – authorised by the issuer, either on-line or off-line by the chip?</p>
	Yes
17.	<p>All ATMs will offer English as well as the national language(s) and any other languages regarded as appropriate by the ATM owner. (SCF)</p> <p>Is it inscribed in the scheme’s rules that all ATMs accepting cards issued under your scheme, offer at least English as well as the national language?</p>
	Yes
18.	<p>Where several payment applications are contained in the same card and supported by the same terminal, cardholders and merchants will have the choice of which payment application they will use. (SCF)</p> <p>Is it ensured that scheme rules do not prevent that both the cardholder and merchant have the choice of which payment application (e.g. debit or credit or choice among different schemes and brands) is used out of several ones contained in the same card and supported by the same terminal?</p>
	Yes. The choice of applications offered to cardholders and merchants takes into account the contractual provisions between the cardholder and the issuer and between the acquirer and the merchant.
19.	<p>Card schemes commit to provide their participants with SEPA-wide, transparent pricing structures (“scheme fees”), that will endeavour to allow for participation by the greater number of banks and payment institutions (without this intending to prevent commercial flexibility to conclude business deals in order to capture business opportunities e.g. through rebates). In this context “transparent” shall mean that the nature of the service of activity thus remunerated is unambiguous for the scheme participant or user: prices may not be presented in a bundled manner when referring to services or activities of a different nature. (SCF)</p> <p>Does your scheme apply a SEPA-wide, transparent pricing structure?</p>
	Yes
20.	<p>An SCF compliant scheme is a scheme that allows unbundling of functions whilst applying the same pricing per card product to national euro and SEPA transactions of the same type. (SCF)</p> <p>Does your scheme apply the same pricing on scheme members per card product for SEPA euro transactions and for national euro transactions of</p>

	<b>the same type?</b>
	Yes
21.	<b>A scheme should disclose interchange fees and their calculation methodology, and submit them, if possible, to the relevant authorities.</b> (November 2006 report)
21.1	<b>Has the scheme disclosed interchange fees and their calculation methodology?</b>
	Yes. The debit POS system electronic cash is not based on an interchange, but on a fee to be paid by the card acceptor to the card issuer (Händlerentgelt).
21.2	<b>Has the scheme submitted interchange fees and their calculation methodology to the relevant authorities, in case this has been possible?</b>
	Yes. The Händlerentgelt had been notified to the relevant competition authorities.
22.	<b>A scheme should have a single interchange fee (if any) for the whole euro area within a given brand in the long run.</b> (November 2006 report) <b>Is it foreseen that in the long run there will be a single interchange fee (if any) level for the whole euro area?</b>
	Yes. It is already implemented.
23.	<b>A scheme should put in place a strategy on how to reduce fraud, especially cross-border fraud.</b> (November 2006 report) <b>Has the scheme put in place a strategy (e.g. technical rules) on how to reduce fraud, especially crossborder fraud?</b>
	Yes
24.	<b>Card schemes acknowledge that preventing and fighting fraud is within the scope of the SCF. As a consequence, any adhering card scheme agrees to support prevention activities, in accordance with the EPC Resolutions on fraud.</b> (SCF) <b>Is the scheme supporting fraud prevention activities in accordance with the EPC resolutions on fraud?</b>
	Yes, as long as such resolutions are relevant for the security of schemes managed by Zentraler Kreditausschuss.
25.	<b>A scheme should contribute to the design of a consensus-based selection of standards with a clear commitment for implementation on time.</b> (November 2006 report)
	<b>Is the scheme contributing to the design of a consensus-based selection of standards with a clear commitment for implementation on time?</b>
	Yes
26	<b>In particular all schemes will introduce a liability shift rule between magnetic stripe-based transactions and EMV-based transactions, and other incentivising measures to encourage the EMV migration.</b> (SCF) <b>Has the scheme introduced a liability shift between magnetic stripe-</b>

	<p><b>based transactions and EMVbased transactions and potentially other incentivising measures to encourage the EMV migration?</b></p> <p>Yes. The Scheme has mandated a complete migration to a DDA-chipbased transaction processing until end of 2010.</p>
27.	<p><b>In order for the objectives of the SCF to be achieved, SEPA-level interoperability must be ensured in the following four domains:</b></p> <ul style="list-style-type: none"> <li>- cardholder to terminal interface</li> <li>- cards to terminal (EMV)</li> <li>- terminal to acquirer interface (protocols or minimum requirements)</li> <li>- acquirer to issuer interface, including network protocols (authorization and clearing). (SCF)</li> </ul> <p><b>Is interoperability ensured for the domains of i) cardholder to terminal interface, ii) cards to terminal, iii) terminal to acquirer interface and iv) acquirer to issuer domains?</b></p> <p>Yes</p>
28.	<p><b>Card schemes commit to make available to SEPA banks, payment institutions and card schemes, upon request, their terminal security requirements. Card schemes will engage in mutual recognition of type approval. Any terminal certified for SEPA transactions by a certification body in one SEPA country can be deployed in any SEPA country for acceptance of SEPA cards across all SCF compliant schemes. There may be no constraining, local requirement. (SCF)</b></p>
28.1	<p><b>Is the scheme ready to make available upon request to SEPA banks, payment institutions and card schemes its terminal security requirements?</b></p> <p>Yes</p>
28.2	<p><b>Is the scheme engaged in mutual recognition of certificates for type approval?</b></p> <p>Yes</p>
28.3	<p><b>Is it ensured that scheme rules do not prevent that any card, terminal and/or network interface, certified by an accredited body be deployed and used anywhere throughout SEPA4?</b></p> <p>Not applicable since the certification framework in SEPA has not been established yet. Zentraler Kreditausschuss is committed to this goal and contributes to it in the CAS initiative.</p>