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Iso 8583 Vs Iso 20022 for cards: a mandatory migration is not required by the market yet.

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During a 2015 meeting the European Retail Payment Board (ERPB - chaired by ECB) invited the Card Stakeholder Group (CSG - market expression to coordinate card payments initiatives) to evaluate the opportunity of migrating to a single standard in the Acquirer-to-Issuer domain, to address a widespread concern about the slow progress of SEPA for cards in this domain. This was not the first time that the EU Financial Authorities have required an investigation in this area ([comments on previous study here](#)).

In the Eurosystem's view, the use of multiple diverse standards results in having a fragmented market and that is widely recognised as the main cause of slow progress.

Recently the response of the CSG to the ERPB invitation has been presented, by addressing the Inter-PSP card processing domain in SEPA, i.e. the processing which takes place between the acquiring side and the issuing side.

Study objective and requirements

Currently in Europe, most of the protocols used in the market in the Acquirer-to-Issuer domain are based on flavours of the ISO 8583 standard in its different versions. There are not coordinated initiatives to define a standard based on the new ISO 20022 messages (e.g. France, Germany).

The opportunity study evaluates interests and benefits on:

- Migration to a single common standard of message set
- Migration to a single common standard of clearing and settlement practices

Three scenarios are identified and analysed in this study:

- Scenario 1: “Baseline Scenario”, let the market evolve
- Scenario 2: migration to a common ISO 8583 implementation
- Scenario 3: migration to a common ISO 20022 implementation

Highlights

The survey highlights that :

- There is no business case for the low and medium estimates for both Scenario 2 (ISO 8583) and Scenario 3 (ISO 20022)
- The payback period is extremely long for the medium estimate, e.g. after 50 years the deficit still amounts to more than:
 - € 500 million for Scenario 2
 - € 1 billion for Scenario 3
- The payback periods in the high estimate situation is 11 years for Scenario 2 (ISO 8583) and 18 years for Scenario 3 (ISO 20022)

Low Estimate Summary	Scenario 2 ISO 8583	Scenario 3 ISO 20022
All One-time Cost (m€)	(474)	(605)
Net Annual Result After Migration (m€)	(29)	(43)
Ratio Annual Result/All One-time Cost	N/A	N/A
Payback period (years)	N/A	N/A
Medium Estimate Summary	Scenario 2 ISO 8583	Scenario 3 ISO 20022
All One-time Cost (m€)	(1,187)	(1,501)
Net Annual Result After Migration (m€)	51	11
Ratio Annual Result/All One-time Cost	4%	1%
Payback period (years)	Extremely long	Extremely long
High Estimate Summary	Scenario 2 ISO 8583	Scenario 3 ISO 20022
All One-time Cost (m€)	(2,102)	(2,622)
Net Annual Result After Migration (m€)	389	319
Ratio Annual Result/All One-time Cost	19%	12%
Payback period (years)	11	18

The study highlights also a fair number of non economical advantages and drawbacks in migrating to a common standard, like:

- * A mandate to all the players/ in all themarket, with all the derived issues, would be the only way to achieve the expected results
- * The need to ensure nearly complete homogeneity of the standard coverage, at the risk of hindering innovation and competition between operators

Conclusions

"The CSG is unable to recommend mandatory migration to Scenario 2 or 3. The CSG is also unable to recommend Scenario1 because it would perpetuate the current situation." But also the CSG study recognises a potential in the adoption of ISO 20022 compared to ISO8583, for the following reasons:

- It could provide interesting advantages in terms of support for evolution
- Although there is no business case for the whole ecosystem some individual entities might find a positive business case in the migration.

The CSG thus recommends the adoption of a market driven approach to migration to ISO20022 where such a migration is decided based on business considerations.

In order to optimise the market driven approach and make sure that those entities who decide to migrate to ISO20022 choose the same commonly agreed specification, the CSG proposes to establish a liaison between the CSG and the relevant ISO committees so that SEPA requirements in this domain are taken in to account and to continue to evaluate/investigate alternative migration strategies.

ERPB accepted the CSG study results, and asked for an update on mid 2017.

Considering the evolution of the discussion between the EPC/CSG and the Authorities on this matter, it seems evident that this update will have to focus on:

1. the clarification that ISO20022 for cards will be different from ISO20022 for SCT/DD
2. Every scheme/product will personalize the ISO20022 according to their business needs, so it is not possible to imagine one only common ISO20022 for card payments in Europe.

Perhaps these last considerations will make ISO20022 less appealing to the ERPB view.

(figures from the CSG study)

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