



**For the first time ever, a European specification „SEPA card clearing“ has been published by the Berlin Group after public consultation!**

The Berlin Group, a market driven initiative of the European payment card industry, has finished defining the SEPA Card Clearing Framework (SCC) leveraging the existing SEPA payment infrastructure for clearing and settlement of card transactions.

### The focus of the SCC Framework

The SCC Framework is a significant step towards making the Single Euro Payments Area (SEPA) a reality for clearing and settlement of card transactions.

The Framework is intended to create conditions which will allow each participant to build services that can generate reasonable economic returns sufficient to ensure the safety, security, and risk integrity of the Framework.

This standard complements the existing SEPA payment instruments Credit Transfer and Direct Debit, already developed by the European banking industry. The SEPA clearing infrastructure built up for these payment instruments does not yet cover clearing and settlement of card transactions, although card transactions represent the highest volume of European mass payments. SCC leads to a full STP processing for clearing by using the same processes and formats between different banks and between banks and Clearing and Settlement Mechanisms (CSM). This STP processing is expected to reduce the costs of the clearing processing significantly, since only one SEPA format for card clearing is to be supported within Europe in a midterm perspective, irrespective to local or cross-border interfaces.

Berlin Group is now consulting card schemes, issuers and acquirers as well as relevant market participants to adapt to the use of SCC.

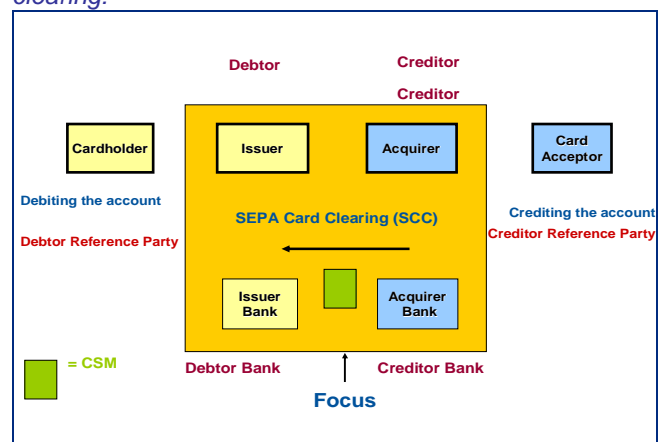
### What is SCC?

The SEPA Card Clearing Framework is detailed in

- the process definition for the clearing of card transactions, resulting in Operational Rules, and
- a format description, resulting in Implementation Guidelines for Payment Instructions, Payment Clearing and Settlement Messages and corresponding R-Transactions.

The SCC Framework is an alternative solution to the ISO 8583 solution already published by the Berlin Group in its Version 3 standard. It will support all main business processes for card processing on the clearing side, as identified by the European Payment Council (EPC) in its cards standardisation efforts.

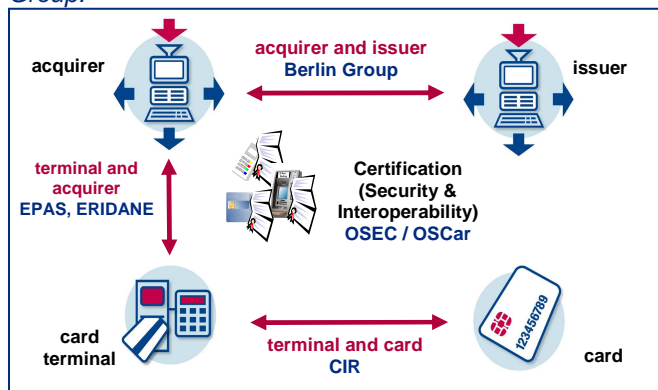
*This figure shows a general model for the SEPA card clearing:*



SCC's position is the interface between the Acquirer and the card issuer.

The Berlin Group is the card standardisation initiative covering only this interface.

This figure shows the context of the work of the Berlin Group:



The new SEPA Card Clearing Framework complements the current technical specifications for the interface between the Acquirer and Issuer of “Bilateral and Multilateral Processing of Card Transactions in Europe - Authorisation” (current version 3.0, 25/02/2009). This authorisation interface is already being used for real transaction within the Euro Alliance of Payment Schemes (EAPS, <http://www.card-alliance.eu>).

## What benefits are offered by SCC for market players?

### What benefits are there for Issuers and Acquirers?

- Usage of the same formats for all card based CSM clearing transactions within SEPA.
- STP processing from the Creditor Reference Party (Card Acceptor) up to the Debtor Reference Party (cardholder) is feasible.
- Fully automated reconciliation of received payments.
- Reduced processing cost by reusing the same formats as for direct debits.
- High accessibility for Creditors independent of the underlying card scheme.
- Allows unbundling of card processing and card scheme, potentially further reducing processing costs.

### What benefits are there for Banks?

- Processes are highly automated and cost-effective.
- The processing cycle is clear, transparent, reliable and as short as possible.
- It will be easier to create new SCF compliant card schemes within the SEPA region.
- The increasing volumes on the payment engines by using formats very close to SDD formats will decrease processing costs.
- Enable the proper management of liabilities and risks.
- Risk mitigation in inter-bank Settlement and at inter-bank level in general.
- the achievement of full STP of all transactions, including, with clear reference to the original transaction, Rejects, Returns, Refunds and Reversals.
- Use of open standards such as ISO BIC and European IBAN as bank and account identifiers.
- Unambiguous identification of all SEPA Card Clearing Creditors.

The SCC framework is independent of the card brand used for the acceptance of the transaction, but describes a general mechanism to clear and settle card based transactions between banks.

The modeling of the SCC Framework assumes that the acquirer of the card based transaction is the creditor, where the issuer is the debtor of the transaction, since the issuer is the business counterpart of the acquirer.

## How does the technical base of SCC work?

For the work on the common standard, the current SEPA Direct Debit message standard and business processes were selected as a suitable starting point for clearing and settlement of card-based transactions at least at the inter-bank level: The business processes used between the banks, or within the Clearing and Settlements Mechanisms (CSM) resp., and the data attributes are already well matched to the general card clearing requirements, where the acquirer is initiating the clearing, thus “pulling” the money from the issuer’s accounts. Nevertheless, there are some new data fields to be

considered, some to be left out and some process definitions require adjustment. For example, different timeframes for the collection process were defined, or no extended remittance information fields were introduced. This yields a new message format and process description, which is still very close to the SEPA Direct Debit framework.

## Which documents are necessary for implementation?

Berlin Group has published at their webpage:

- "SEPA Card Clearing Framework Implementation Guidelines", Version 1.0, 28/01/2011:  
*Description and operational rules for the clearing processes and the clearing of the supported card transaction services, including an abstract data model.*
- "SEPA Card Clearing Framework Operational Rules", version 1.0, 28/01/2011  
*Description of the ISO 20022 interface messages and data fields to be used.*

Payment schemes, acquirers and issuers still have to adapt the new processes into their technical and legal processes.

## SCC's next steps

The Berlin Group will use its results for further development of ISO 20022 and will in the future lead to further optimisation of the currently released version of SCC. However, the future version is not meant to replace the existing version, enabling the current version 1.0 of SCC to serve as a solid base for implementation projects. It is expected that work on the further development of ISO 20022 / version 1.0 of SCC may take up to a couple of years due to the decision making process with ISO. It will be up to card schemes and individual issuers or acquirers to decide on the implementation of any future version of SCC as is already the case today with the implementation of current variants of the ISO 8583-standard.

## SCC's availability?

The SCC specifications, an "Introduction to SCC version 1.0" as well as all Berlin Group documents can be downloaded for free at the Berlin Group webpage at <http://www.berlin-group.org/documents.html>.

## Usage of the SCC within the German girocard scheme

The Zentraler Kreditausschuss (ZKA) running the girocard schemes "electronic cash" for EMV POS payments with debitcards and the "German ATM scheme" is planning to use the SEPA Card Clearing Framework within their schemes in the near future. A detailed migration plan is in the works.

## SCC covers the requirements of the ECB and EPC

By publishing the "SEPA Card Clearing Framework" already in January 2011, the Berlin Group has already fulfilled the requirements of the "Seventh report Beyond Theory into Praxis" issued by the European Central Bank (ECB). The ECB requires from standardisation initiatives (like Berlin Group, CIR, EPAS) that they "... shall develop the 'implementation specification' for cards and terminals. ..." by the end of 2011.

SCC can be used for all SEPA compliant card schemes and supports card business processes as defined in the current "Card Standardisation Volume - Book of Requirements" of EPC.

## Synergies with new SEPA Payment Instruments

The European banking industry is already offering the "SEPA Direct Debit Scheme" to support a pan-European direct debit instrument.

SCC messages are closed to the existing direct debit messages and are compliant to ISO20022, where the format differences to SDD Implementation Guides are minor. Participants can benefit from synergies of the

existing SEPA payment products (direct debit and direct credit) while implementing SCC.

Transactions within non-Euro domestic environments are not covered.

### Participants of the Berlin Group 2011

Country	organisation
Belgium	<a href="#">Atos Worldline SA/NV</a> , <a href="#">TRIONIS</a>
Bulgaria	<a href="#">BORICA</a>
Croatia	<a href="#">MBU</a>
Germany	<a href="#">Zentraler Kreditausschuss</a> , <a href="#">EKS</a>
Greece	<a href="#">DIAS Interbanking Systems S.A.</a>
Hungary	<a href="#">Giro Bankcard cPlc (GBC)</a>
Ireland	<a href="#">Laser Card Services Ltd.</a>
Italy	<a href="#">CO.GE.BAN.</a> , <a href="#">SIA-SSB</a> , <a href="#">Equens Italia</a>
Luxembourg	<a href="#">Cetrel</a>
The Netherlands	<a href="#">Equens SE</a>
Portugal	<a href="#">SIBS</a>
Serbia	<a href="#">National Payment Card Centre (NPCC) of National Bank of Serbia (NBS)</a>
Spain	<a href="#">CECA</a> , <a href="#">Sistema 4B</a> , <a href="#">ServiRed</a>
Turkey	<a href="#">BKM</a>
United Kingdom	<a href="#">Vocalink</a>
Europe	<a href="#">Euro Alliance of Payment Schemes</a> , <a href="#">First Data International</a> , <a href="#">PayFair</a> , <a href="#">Visa Europe</a>
Sweden, Latvia, Estonia, Iceland, Finland, Norway, Denmark, Lithuania	<a href="#">PAN Nordic Card Association</a>

### How did the process of finalising the SCC go?

The public consultation process for the first version of the “SCC” started in November 2009. The resolutions of the comments received from the market side were finalised and published at the Berlin Group webpage in August 2010.

### The governance of SCC

The change management procedures of the Berlin Group are published in the internet. Change requests can also be submitted by non-Berlin Group members.

Dear reader,

This “VÖB newsletter” about the Berlin Group and their current published “SEPA Card Clearing Framework (SCC)” has been written especially because the Group not only first met in Berlin, hence its name, but also met at our office building at the Association of German Public Sector Banks. That was in October 2004. Started with Banksys, Cetrel, Cartes Bancaire, Interpay, EKS and ZKA, Berlin Group now has 26 participants from all over Europe.

It is a pleasure for us to see that this market driven initiative has become such a success and that the founders of the Berlin Group were heading in the right direction for building future payment infrastructure.

Association of German Public Sector Banks  
payment services and card systems



#### contact

Association of German Public Sector Banks, VÖB  
Bundesverband Öffentlicher Banken Deutschlands, VÖB  
D-Lennéstraße 11, 10785 Berlin  
phone +49 (0) 30 81 92-1 83 ▪ fax +49 (0) 30 81 92-1 89  
E-Mail: [claudia.macgregor@voeb.de](mailto:claudia.macgregor@voeb.de) ▪ Internet: [www.voeb.de](http://www.voeb.de)  
contact: Claudia MacGregor  
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