

**Meeting Between Staff of the Federal Reserve Board  
and Representatives of the Debit Network Alliance  
January 28, 2020**

**Participants:** Julian Alcazar, Justyna Bolter, Lacy Douglas, Elena Falcettoni, Mark Manuszak, Stephanie Martin, and Krzysztof Wozniak (Federal Reserve Board)

Dan Kramer (Shazam); Judith McGuire and Jennifer Schroeder (PULSE); Eli Rosenberg (Baird Holm); Paul Tomasofsky (Debit Network Alliance); Mike Vizcarrondo (ATH – Evertec, Inc.)

**Summary:** Representatives of the Debit Network Alliance (DNA) met with Federal Reserve Board staff to discuss their observations of market developments related to 3D Secure, payment standards, Secure Remote Commerce, and tokenization services. The representatives expressed their views on how these developments affect routing of debit card transactions.

Attachment

# Debit Network Alliance

## Debit Topics

## U.S. Update

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Federal Reserve Board of Governors Meeting  
January 28, 2020



DEBIT NETWORK ALLIANCE

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The opinions expressed by the presenters during this presentation are exclusively their own.

# Agenda

- Executive Overview
- Topic #1: Tokenization
- Topic #2: 3D Secure 2.0
- Topic #3: EMV Secure Remote Commerce
- A Payment System of Excellence

# About Debit Network Alliance

- Debit Network Alliance LLC (DNA) is a Delaware limited liability company owned by eight U.S. debit networks, and open to all U.S. Debit Networks, founded in December 2013. The goal of this collaborative effort is to provide interoperable adoption of chip technology for debit payments, while supporting security, innovation, and optimal technology choice. Further, DNA has worked to bring about perpetual access to the technology deployed to accomplish EMV® in the US, and support for all transaction types supported by the debit networks both existing and future.
- The US debit networks have a long history of working collaboratively - especially with regard to improving security - to define standards that maintain the integrity and quality of the U.S. payment industry.
- The networks of Debit Network Alliance are AFFN®, ATH®, Cuiance®, Jeanie®, NYCE®, Presto!®, PULSE®, and SHAZAM®..
- The DNA seeks a robust competitive environment that benefits Financial Institutions, Merchants and Consumers.



# Executive Overview

- The purpose of this meeting is to provide an update to changes in the debit industry and to provide additional detail regarding the potential challenge of maintaining choice as emerging payments evolve.
- The payment industry in the U.S. is seeing an unprecedented pace of change:
  - The role-out of Contactless EMV has picked up the pace in the U.S. continuing with FIs.
  - Digital transaction volume continues to grow with biometric authentication as an important component of transaction security.
  - A majority of debit networks support all types of debit transactions, including card not present.
- The industry is responding with new technologies and enhancements to existing standards. These changes have debit routing implications.
- It is important that routing choice is preserved even as the market shifts.



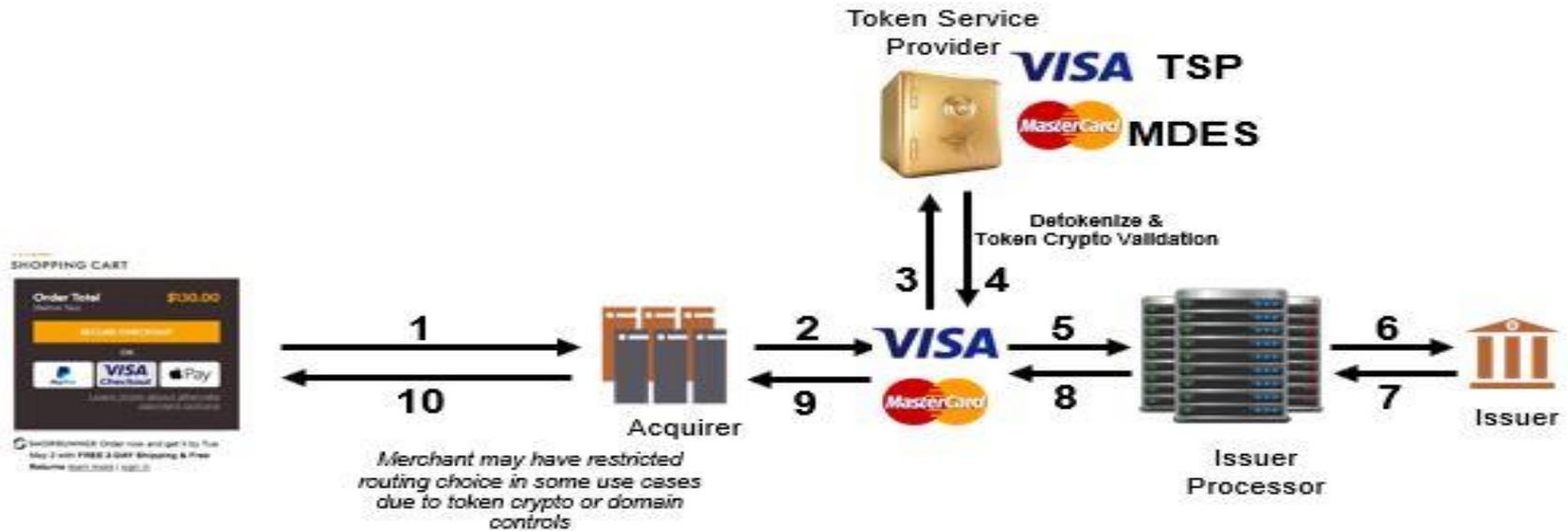
# Key Points

- Debit networks have made significant investments to compete for volume.
- As the industry evolves, debit routing support should be a component of applicable payment standards and specifications.
- Standards are being implemented into the market in a way that either limits routing choice or degrades the quality of the transaction data.
- Regulators should specify that debit routing choice applies to emerging payment channels and points of acceptance, including eCommerce.

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# Topic #1: Tokenization

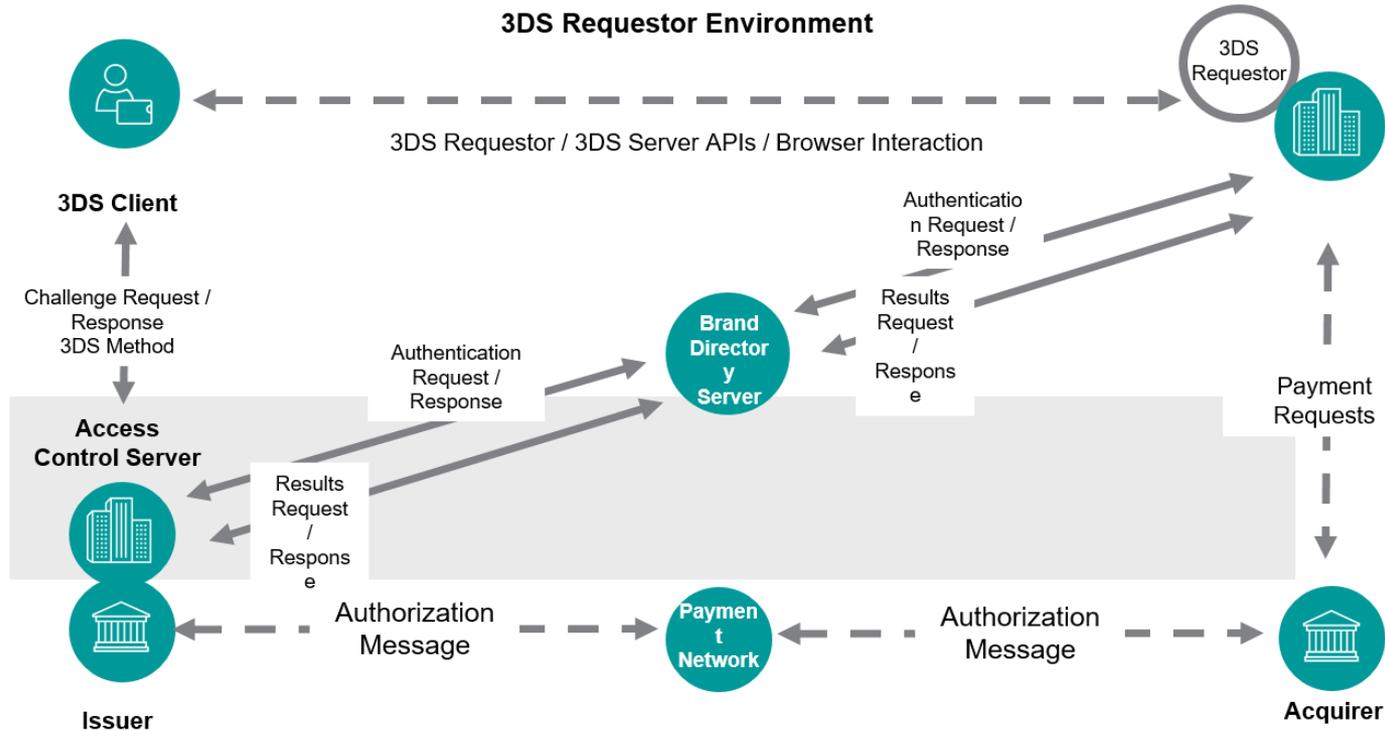
# Token Transaction Processing



- Token processing steps are the same with card present and card not present (CNP) transactions.
- Networks have different policies with CNP transactions, including card on file, that either eliminate routing or harm routing.

# Topic #2: 3DS 2.0

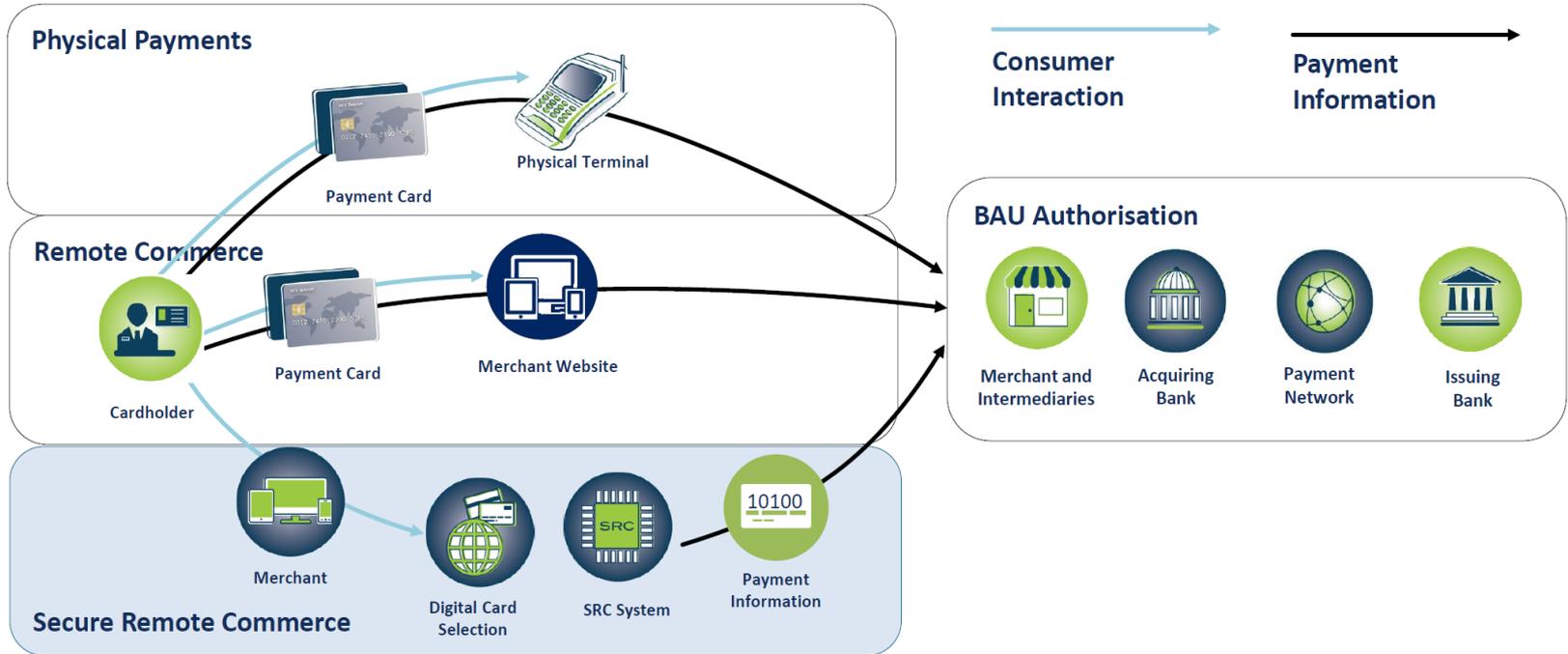
# 3D - Secure



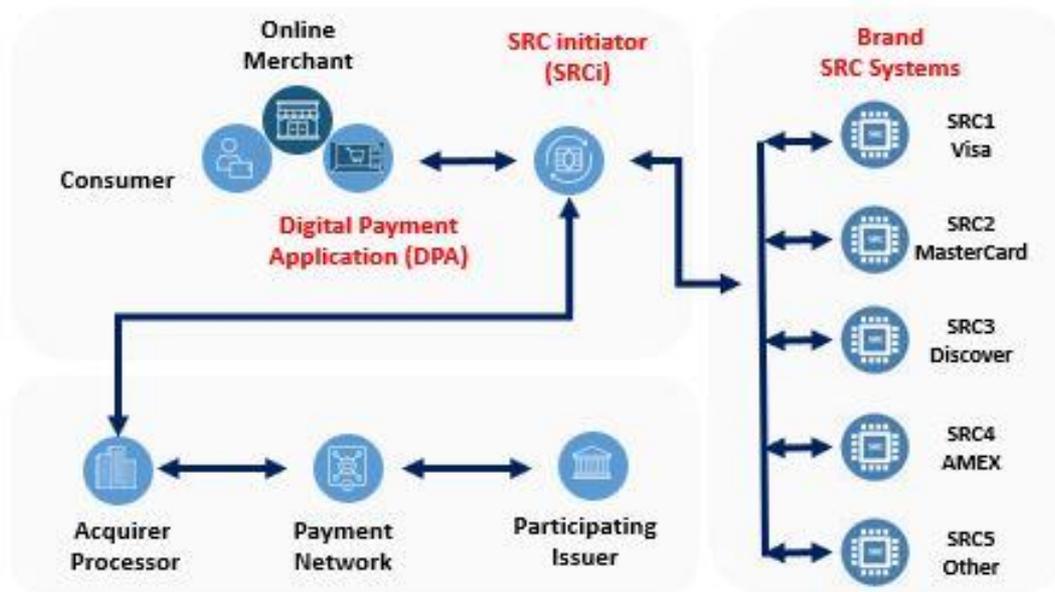
- 3DS specification assumes a single 3DS Directory Server option is available to request and obtain a 3DS verification.
- Once 3DS verification is completed, the transaction can only be routed to one network.

# Topic #3: EMV Secure Remote Commerce

# Secure Remote Commerce



# Key SRC Components



## Digital Payment Application (DPA)

- Provides merchant and consumer interface that facilitates shopping or payment through Consumer Device
- Integrates with one or more SRC initiators or directly with SRC Systems

Key Players: Shopping Carts (Shopify, 3DCart)

## Brand SRC System

Technical platform that securely facilitates payment information exchange between Consumers, Digital Payment Applications and SRC Initiators for payment data creation, card selection, Cardholder Authentication, Tokenization, and Device Identification

Key Players: Networks

## SRC Initiator (SRCi)

- Service providers that enable one or more Digital Payment Application(s) to integrate with one or more SRC Systems
- Similar to the Merchant Plugins of today

Key Players: Gateways, PSPs (CyberSource, Stripe)

# What We Know Today

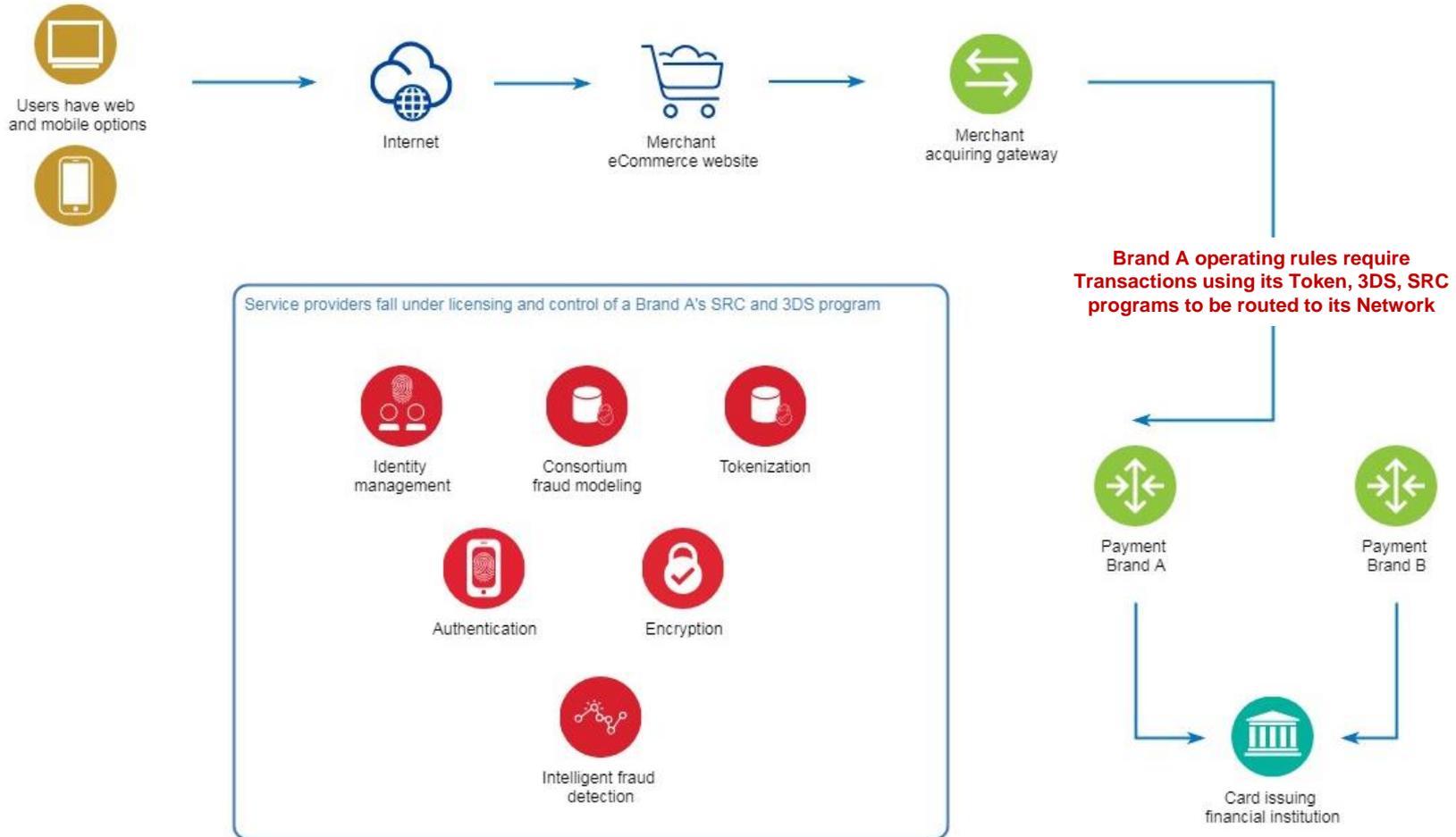
- **Credential management environment:**
  - Orchestrates interactions with identity and card security services.
  - Streamlines customer checkout experience.
  - Credentials managed within SRC System.
- **Security and authentication within SRC:**
  - Tokenization and cryptograms provide data security.
  - 3DS and other tools such as device and behavioral biometrics will be used to authenticate consumers and their devices.
  - These tools likely will limit routing choice.
- **Interoperability between networks available on card is not defined in specification:**
  - Merchant does not have data necessary to route to alternative network.
  - Networks would need to agree to share data to interoperate.



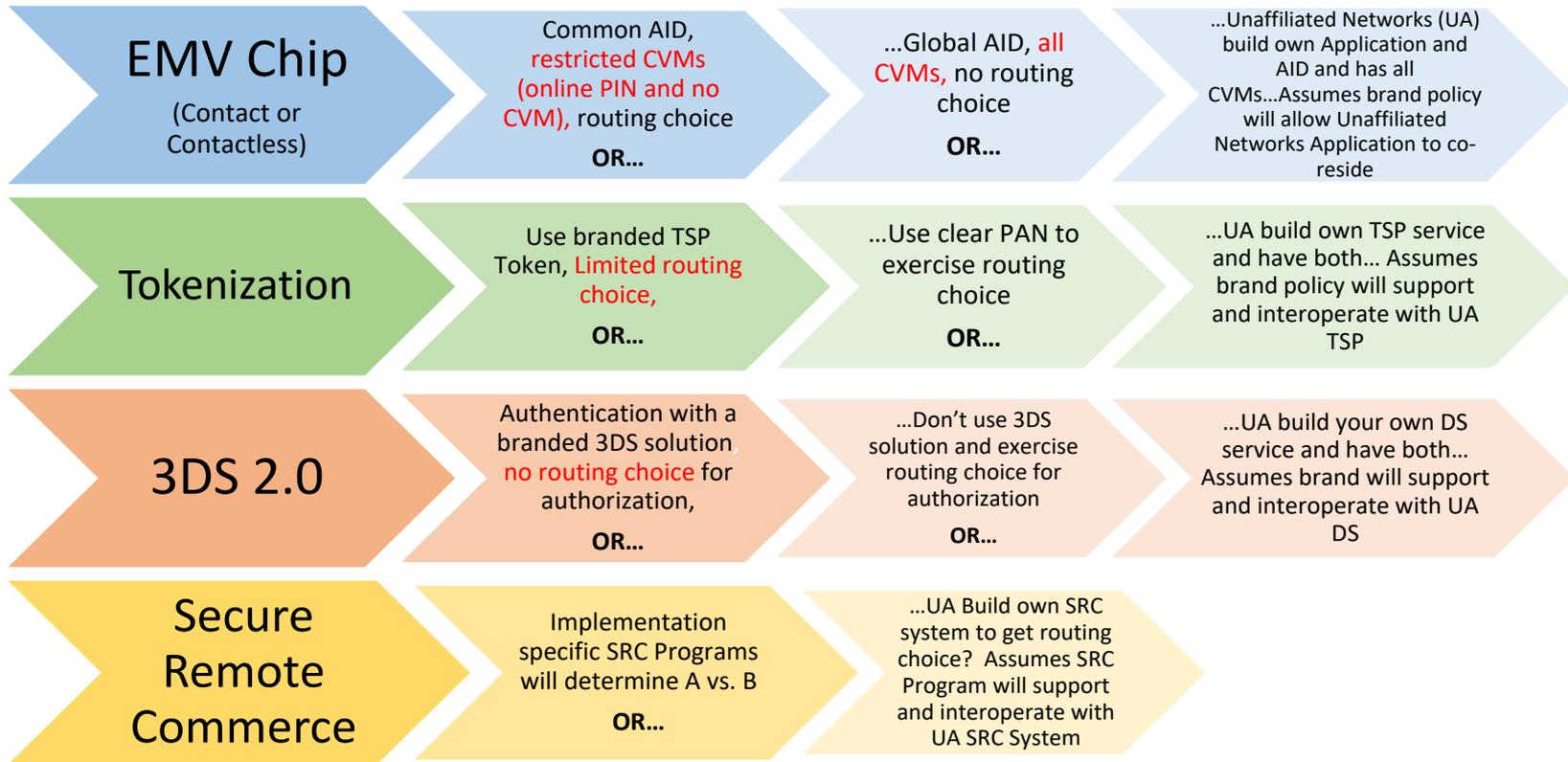
# What We Know Today

- SRC Program: Network Owned
  - Determines Operating Rules.
  - Some branded network token transactions currently present routing challenges.
  - The SRC System will be an implementation by a brand.
  - The brand will dictate rules to all participants.
  - May require a compromise between routing choice and use of tokens.
  - Centralized architecture promotes brand ownership of PII credentials.
  - Enrolling entity will have control.
- One brand mandates issuer participation in SRC if issuer participates in its token program

# Remote Commerce with Brand Rules



# Impact of Payment Technologies on Debit



# A Payment System of Excellence



## Should not be an “OR” conversation

- ❑ Liability threats shouldn't steer choice.

## Standards Objectives

- ❑ Interoperability, scalability, ubiquity.
- ❑ Minimum entry points to ensure **secure** remote commerce.
- ❑ Routing Choice.

## Improved Implementations

- ❑ Clarity on new emerging channels.
- ❑ Adherence to minimum standards.

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# Thank you

