

Debit Networks Pick Discover's Common Code for EMV Routing

By David Heun, Payments Source

About a month after declaring dissatisfaction with Visa or MasterCard's options for a common code to allow routing options for EMV debit transactions, regional debit networks have chosen to work with Discover Financial Services. The Secure Remote Payment Council's chip-and-PIN workgroup announced March 19 that its 10 debit network members have agreed to adopt what is referred to as a common U.S. debit application identifier (AID) and work with Discover to license the application.

"Discover offered all of the options the council's workgroup was seeking," says council president Paul Tomasofofsky, in an interview.

Those options included supplying four card verification models, operation for contact, contactless and ATM transactions, as well as the ability to scale quickly, Tomasofofsky says.

Visa's code proposal did not include contactless technology, but operated with ATM transactions. MasterCard, on the other hand, included contactless technology but not ATM transactions.

"This common AID is out on the street today, so from that standpoint it is a good start and things should happen quickly," Tomasofofsky says.

The announcement ends months of uncertainty for the regional debit networks about how to accommodate a federal mandate laid out in the Durbin Amendment of the Dodd-Frank Act. The act states that merchants must have at least two debit network options for routing payments. The EMV standard was designed to work in countries without such a mandate.

In addition to getting the technology question settled, the debit networks also agreed to form a consortium, separate from the payment council, to govern how the common AID will be deployed, Tomasofofsky says.

A governing body was a key factor during the debates of the past several months, he adds. All other debit networks are invited to join this consortium, Tomasofofsky says.

Unless all debit networks ultimately participate in this approach, industry stakeholders may need to support a multi-application chip environment for debit in the U.S., the council states in its press release.

The council says it will also evaluate security technology from First Data and its Star debit network to "mitigate impact from skimming and data-breach frauds."

The push for a common AID to handle that type of network task went into a higher gear against the backdrop of the EMV migration deadline of April 1, when processors have to be prepared to handle EMV transactions.

The council [flatly rejected Visa and MasterCard proposals](#) earlier this month, and council member Terry Dooley, senior vice president and chief information officer for Shazam, said the regional networks would reveal their own option sometime in late March.

Even though the networks have agreed on a common code, it does not mean issuers should rush to put EMV cards in consumer hands, says CO-OP Financial president and CEO Stan Hollen. CO-OP Financial is a founding member of the Secure Remote Payment Council.

"Given that EMV is being driven by liability shifts, not regulatory or network mandates, we recommend that issuers wait until 2014 before moving forward with their business case for EMV deployment in order to ensure that the market is ready," Hollen says in a prepared statement.

Other associations, including the Merchant Advisory Group, have called for [extensions of liability-shift deadlines](#), at least partly because of the delay in establishing the common code for debit transactions.

Diane Offereins, president of Payment Services at Discover, expressed confidence that the networks made the proper decision to move forward on EMV.

"We are honored to have been chosen by the council's chip-and-PIN workgroup and feel that the strength of Discover's technology, coupled with our universal and choice-centric EMV approach, will enable the market to move forward," Offereins says in a press release