July 17, 2019

Brian Byrne
Director of Operations
EMVCo, LLC
901 Metro Center Boulevard
Mailstop M3-3D
Foster City, CA 94404

Dear Mr. Byrne:

EMVCo released its Secure Remote Commerce (SRC) Specifications v1.0 on June 6, 2019, which was subsequently followed by public announcements from EMVCo member owners regarding their pending implementation plans. Since the fall of last year, the merchant community, through the Merchant Advisory Group (MAG), has been actively engaged in dialogue with both EMVCo and many of your global network owners on the topic of SRC. In light of those efforts and the publicity of the recent announcements, we have feedback to share with you on the engagement of merchants in SRC, the current position with regards to our member support for SRC, and concerns that still remain. We understand that EMVCo is interested in both input to its standards as well as market implementation challenges and opportunities.

It is clear that all industry stakeholders, including merchants, are interested in the success of any effort that will enhance the digital commerce experience for customers. As SRC has continued to develop over the past several months, we recognize there has been an increased level of engagement from both EMVCo and its members. This engagement we believe has led to some positive outcomes. A few noteworthy mentions:

- EMV Payment Tokenization and EMV 3D-Secure remaining optional for merchants. Merchants are emphatic that payment technology solutions should not be mandated for merchant adoption through rules or otherwise but rather by merchant choice based on their value proposition in a competitive marketplace. We appreciate that approach with regards to SRC and expect the same going forward.
- The final EMVCo branding guidelines for SRC refrain from the reference to "secure." Many merchants have very secure digital checkout experiences in market today and any reference to SRC as "secure" would have implied a lack of security otherwise. We appreciate the consideration of merchant feedback in this regard.
- Merchants will have the option to act as their own SRC Initiator to the extent they desire to take on that role within the SRC framework. Although the global network specifications and requirements have been slow to market, this option was not apparent in early discussions with EMVCo and the global networks. It appears merchant interest to retain control of the payment experience within SRC checkout prompted a clear option for a merchant to become an SRC Initiator.
- The global networks have stated their intention to align on the timing of migration for Masterpass and Visa Checkout users to SRC. Initial discussions suggested increased risk to the customer experience based on migration plans that differed in migration timing as well as approach. Although the approach each network plans to take with regards to migration plans differs, which may still cause some customer confusion, aligned timing for migration will help somewhat.
- One global network is suggesting the EMVCo specification for candidate list prioritization be modified to address merchant feedback specific to proprietary payment products. Accommodation for merchant proprietary products is critically important to the customer, merchant, issuer, and network alike.

There is still a lack of clarity to the merchant community on whether SRC will deliver on its potential promises based on the learnings over the past several months of engagement on the SRC efforts.

Enhanced security is suggested given the interoperability SRC will have with EMV Payment Tokenization and EMV 3-D Secure, both of which have already been introduced in-market by way of proprietary products predicated on EMVCo specifications. Many large merchants have implemented merchant/acquirer tokenization, which has also removed the PAN from the merchant environment minimizing risk in the event of potential compromise. Although merchants do support the notion that removing PAN from the retail environment is an improvement, that capability is already available in market without the need for introducing a set of specifications that enable the creation of a 'virtual payment terminal' such as SRC.

Simplification in the remote commerce customer experience is a value proposition that merchants have prioritized for a long time. Simplification does not necessarily always equal consistency in an experience but rather an overall value exchange that only a merchant can offer directly to its customers. For example, simplicity can be achieved by offering favorite but alternative payment methods alongside a proposition for goods and value-added services that meet customers' needs at the right price, access, and overall experience. It is expected that merchants will continue to compete in not only the products and services they offer to their customers but also the experience in which they deliver those products and services suggesting simplicity in the form of consistency in the commerce payment experience is not a realistic objective.

Within the SRC framework, simplification in the technical integration of alternative customer payments could offer a merchant benefit if comprehensive across the significant number of emerging payment alternatives. However, SRC only solves for card-based payments which means that innovative emerging alternatives to traditional payment cards are not contemplated by this specification and is a significant limitation to achieving simplification in this significantly evolving industry. It is recommended that EMVCo specifications support alternative methods beyond card in order to truly support a global competitive payment ecosystem.

The market implementation dynamics for SRC are still of great concern. Technology that promotes payment security should be a choice for merchants to leverage. That choice should not be at the expense of a merchant's choice to route debit transactions to alternative networks. In some instances, networks have defined merchant choice within SRC as one to either leverage EMVCo payment tokenization technology or the opportunity to route a debit card transaction to any network it chooses, but not both. That is not choice nor is it consistent with the law. In other instances, global networks disadvantage their domestic competitors by not sharing all the security elements in a de-tokenization response. Within or external to SRC, merchants should never have to choose between technology that offers enhanced security and their choice to route transactions to any network they choose. It is recommended that EMVCo specifications clearly require support for both enhanced security and merchant routing choice without discrimination.

Increased conversion as a result of SRC is yet to be proven, as there have been no proofs of concept suggesting an SRC transaction will result in higher approval rates, reduced false declines, or a streamlined frictionless payment experience for digital customers. The statistics that have been shared to date regarding increased conversion have been specific to the use of tokenization and/or EMV 3D-Secure which, as mentioned earlier, are already commercialized outside of SRC. In addition, use cases have been presented to the merchant community based on network implementation plans where friction will be introduced. For example, EMVCo specifications enable and global network rules will require that merchants allow customers not already enrolled within SRC to have the option to do so within the merchant checkout.

Although the global networks have indicated they will offer enrollment in SRC either through their issuer or directly through the network itself within their implementation plans, neither have shared concrete communication plans to their cardholders of "click to pay" or projections of SRC pre-enrollment statistics with merchants. This along with the aggressive timing for implementation of SRC in the US market will result in limited early adoption before the market launch in the August – September 2019 timeframe. The impact will be a burden on participating SRC merchant checkouts with increased friction and risk of abandonment – a risk many large merchants with strong engagement with their customers will not want to take.

An expectation merchants have of any global payment specification is that its flexibility will facilitate merchants' ability to deliver new, innovative and creative alternative payment experiences for their customers through a standardized, secure, and transparent exchange of payment data. While SRC limited use to traditional card payments is one concern,

another quite significant limitation includes the candidate list prioritization protocol within SRC. This protocol calls for the SRC Initiator to prioritize the last used payment method first among the candidate list rendered for an SRC user. This approach may not fit the interests of each customer on his or her favorite retail website or mobile app. It is recommended that EMVCo update the specification to allow for merchant and customer flexibility in defining prioritization of the card candidate list.

Our understanding is that EMVCo's stated intention is not to establish any compliance requirements related to its specifications. However, the SRC User Interface Guidelines and Requirements published alongside the SRC Specification v1.0 on June 6, 2019 appear to include a requirement that non-EMVCo marks be displayed alongside the SRC mark. We strongly suggest that in no instance should EMVCo require or set other condition or limitations on the usage of a non-EMVCo mark within any of its specifications, guidelines, and/or other published EMVCo documents. While it may be appropriate for EMVCo to set a branding guideline (versus a requirement) of how the SRC mark is shown when a merchant chooses to participate in SRC, to ensure there is no intereference with market competition, the choice of displaying the marks of SRC Operators must remain the merchant's choice.

Unfortunately, by design of EMVCo controlled by its owners alongside the proprietary rules and policies that accompany implementation of EMVCo specifications, the flexibility of the SRC specifications and related branding guidelines offers its implementors, the global networks and EMVCo owners, the vast majority of benefit.   This results in a market with inherent complexities that seem counter to the promises initially suggested.

Merchants strongly believe it is imperative that the design and development of any payment solution requires **early and inclusive** engagement by **all** stakeholders. Despite a few leading retail brands being engaged in the SRC developments over the past several months including those through MAG's membership, there is still a significant lack of transparency and limitations remain on the effectiveness in the EMVCo payment standards making process without equal input of feedback and decision-making among all stakeholders in the standards development process. MAG, a current EMVCo Business Associate, is a membership organization of over 140 merchant brands; yet there are almost 4 million merchant retail establishments in the U.S. alone. How can we expand on momentum for collaboration to ensure we bring awareness and inclusion for all merchants and all stakeholders early and often in the standards making process? Although we commend EMVCo for opening SRC to a public comment period, that is not the same thing as being part of the decision-making process. And, the reality is that it is unrealistic to expect a stakeholder to offer intelligent and meaningful feedback on a specification over 300 pages within 45 days without a much broader foundation and understanding of the past 18 months of developments and discussions.

We highly encourage EMVCo to open its decision-making process to full participation from all industry sectors and engage in an open and transparent manner with the public at large in the design and development of its payment standards of the future. This type of engagement has a better chance of leading to broad industry support as well as timely and efficient adoption.

Sincerely,

Food Marketing Institute
Merchant Advisory Group
National Association of Convenience Stores
National Association of Theatre Owners
National Restaurant Association
National Retail Federation
Retail Industry Leaders Association