



Luxembourg goes V PAY

Managing the cut-over of the country's payment card system



When the community of banks in Luxembourg decided in 2011 to move away from their existing debit card scheme they had many choices to make. One decision was clear from the start: they opted for SIX Payment Services to manage the migration process. It turned out to be one of the most challenging and time-critical phases in the history of the country's card business – and a huge success. This report looks at the project from a project management perspective and explains the reasons for the successful cut-over.

A bit of history

For the past 15 years, the national debit card scheme used in Luxembourg was a domestic one, called bancomat, and it was co-branded with Maestro for international acceptance. The scheme was jointly owned and

governed by the country's retail banks, which employed a central provider for merchant acquiring, transaction processing, and many of the related back office functions: SIX Payment Services in Luxembourg.

«Introducing V PAY in Luxembourg was a major milestone. The entire payments world was observing the migration. With the flawless execution of the project, SIX Payment Services has a huge share in making this success a showcase for future V PAY countries.»

Pedro Deserrano, until 2013 Senior Vice President Head of V PAY Marketing, Visa Europe





The Luxembourg banking community chose SIX to support the country's move to a new debit card brand.

In late 2010, in view of strict regulations under SEPA and with about two thirds of the card population being due for renewal in just over a year, the Luxembourg banking community agreed that it was time to move on. The way forward was obvious: a fast and well coordinated national implementation of a new scheme.

A new scheme is selected

A socio-demographic particularity of the Grand Duchy of Luxembourg has significant influence on its debit card system: mainly due to its financial services sector, the country's workforce consists of about 45% foreign nationals – some 153,000 of whom commute into the country on a daily basis and account for a huge portion of cross-border transactions. Hence, the international aspects of any move needed to be carefully considered.

The Luxembourg banks individually assessed their options and evaluated a large set of criteria, ranging from security and flexibility to acceptance, cardholder experience and ongoing running costs and revenues. In March 2011, the banking community officially announced that by the end of 2011 bancomat would no longer exist and that V PAY had been selected as their preferred debit system for the future.

According to the banks, the main considerations when choosing V PAY included its level of flexibility with regards to potential additional functionalities such as e-commerce, contactless acceptance and low value payments, certain advantages of the chip-only architecture in terms of security, the governance practiced by VISA in dealing with its member banks, as well as operating cost and fees.

«The project committees were there to provide strong guidance and structure. Every decision we made had to be a real commitment. SIX Payment Services supported the project with technical know-how, practical advice and a can-do attitude. Together, we ensured there was a positive flow of information and discussion, and we all benefited from a very strong spirit of cooperation.»

**Lysiane Back, Vice President
Banque et Caisse d'Epargne de l'Etat
Luxembourg and representative of
the V PAY issuer community.**

High time to move - and a central role for SIX Payment Services

With the final decision being taken in March 2011, there was only nine months to complete the entire project. SIX Payment Services was well positioned to take the lead in managing this project, having been integrated into the country's payment landscape for 25 years, and at the same time being the leading acquirer in Luxembourg. As the central integrator, SIX led the parties involved through the technical and organizational migration process and was responsible for all card management services (such as card personalization, transaction processing, exception handling, customer support). In its role as primary acquirer, SIX Payment Services played an important role in developing the retail proposition, too.

A highly efficient set of committees was set up that also included representatives from VISA and the various banks.

High performance in technical and operational tasks

Selecting, defining, ordering and personalizing the cards: After defining the functionalities and finalizing the specification of the EMV chip, SIX Payment Services selected the appropriate plastics vendors and personalization agencies who had to be capable of delivering within the available timescale. Having established and validated the parameters, SIX managed the ordering and personalization of all 600,000 cards.

Implementing the necessary system changes: It was necessary to implement technical changes within the card management systems and the respective host system of each issuer. At the same time, the acquiring systems and acceptance networks were adapted in order to ensure that its various ATMs and POS devices were capable of accepting V PAY.

Testing and piloting for all card programs: An extensive range of tests and pilots was conducted. From May 2011, prototype cards were produced in order to test and validate the behavior of the chip in laboratory situations. Then, from June 2011, live cards were issued for field testing in Luxembourg and later at merchants across Europe. Staff of SIX Payment Services and the banks were involved at this stage in order to have a broader number of pilot cards.

Managing the card distribution and providing customer support: The actual distribution of cards took place from November to early December. SIX Payment Services provided sophisticated logistics for the V PAY card production and doubled the enveloping capacity in order to let all 600,000 cardholders have their new card in time. Capacities of the multi-lingual call center were also ramped up in order to handle an anticipated increase in cardholder enquiries.

Supporting the communications team with adequate data: In a pro-active and continuous approach, the banks ensured the cooperation of cardholders, merchants and media alike. In order to provide stakeholders with substantial information, SIX Payment Services constantly provided the communicators with relevant data and contributed to education campaigns for bank employees and retailers alike. All 8,500 domestic retailers received their targeted information packs with updated contracts and new acceptance decals as well as personal information through their SIX Payment Services representative.



All 600,000 cardholders in Luxembourg were equipped with the new V PAY cards.

Time was not the only challenge

Apart from the ambitious timeframe, the migration was not to have disruptive impact for cardholders – they would retain their existing PINs!

The merchants, too, should experience no impact on their business, with all terms and conditions – and above all their POS devices – remaining the unchanged. At a very early stage, test teams at SIX Payment Services made sure that the terminals were fully capable of accepting the new cards.

Out of security considerations, the banks opted to abandon the magnetic stripe as an alternative payment method. A magnetic stripe would still be visible on the cards and was necessary as access device for bank branches or ATM lobbies but was no longer allowed for payment transactions. This also turned out to be a relevant side effect in foreign countries.

Due to the a large share of transactions taking place across borders, very intense effort was necessary to ensure appropriate card acceptance, not only in the neighboring regions, in particular in the so-called Grande Région (adjacent areas of Belgium, France and Germany), where almost half of the workforce commute from, but also all over Europe, in all countries where the V PAY card is accepted. Extensive pilots soon proved seamless acceptance within Luxembourg. With the help of the intelligence provided by SIX Payment Services, the VISA field teams on-site were able to effectively solve problems at merchant locations outside Luxembourg.

Aiming at utmost flexibility and future-orientation, it was mandatory that additional functionalities like low value payments may be added in the future. SIX Payment Services made sure that these functionalities are now available to all banks who wish to expand their card business.

Last but not least, the complexity of the payments business was not to be underestimated: SIX Payment Services aligned the activities of parties as diverse – and geographically dispersed as the eleven issuing banks, VISA Europe, the card and personalization vendors as well as SIX headquarters in Switzerland and SIX Payment Services in Luxembourg.

Keys to success

In this unique migration, the Luxembourg banking community was certainly capitalizing on their experience of teaming up in big projects. Another key to the success of the migration program was the close coordination and cooperation between the various parties and the accessibility of technical and organizational information provided by SIX Payment Services. The process also benefited from experienced resources and senior management involvement from all parties, thorough planning and the stakeholders' absolute dedication to making this project a success.

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