

which requires State agencies to adopt the ISO 8583 message format in "a version mutually agreed to between the authorization agent and the party connected for all transactions." Instead, the commenter supported adoption of the ISO standard currently being developed by the American National Standards Institute (ANSI) X9A11 EBT Working Group. The Department would like to clarify that the provision requires State agencies to use the ISO 8583 message format as updated by the American National Standards Institute (ANSI). The requirement refers to the base 8583 message format in order to provide enough flexibility to ensure automatic updates of the message format by State agencies without the need to issue new regulations in the future. The Department, therefore, would expect State agencies to update the message format specifications of their respective EBT systems in accordance with the most current version of the ISO 8583 message format upon adoption by ANSI or procurement of a State EBT contract.

#### **Issuer Identification Number (IIN)**

The interim final rule requires that the Primary Account Number (PAN) on the State-issued EBT card be standardized to include State routing information so that transactions can be routed to the appropriate State system for authorization, regardless of the transaction's point of origin. There were no comments opposing the requirement to include the Issuer Identification Number (IIN) in the PAN. However, one commenter requested clarification regarding the use of the term "IIN", and opposed the requirements regarding the distribution and updating of the State IIN files.

Specifically, the commenter requested clarification as to whether an "IIN" is the same as a Bank Identification Number (BIN). We consider the two terms to be interchangeable. We chose to use the term, "IIN," because the number is used to route transactions to the various State authorization systems and not to banking institutions as the term "BIN" implies.

The commenter also opposed language which requires each State agency to be responsible for distributing all State IINs to each retailer, processor, or acquirer that is directly connected to the State's authorization system. Instead, the commenter believes that State IIN distribution should be the responsibility of the Federal government to avoid excessive and redundant updates. We are in agreement that redundant updates of IIN information should be avoided. However, in the time

since FNS published the interim rule, several State agencies implemented interoperability without any indications of redundant IIN distribution, nor was redundant IIN distribution raised as a possible issue by any of the parties involved.

Although the Department is directing the interoperability provisions to all 53 State agencies, most State agencies delegate responsibilities to their prime EBT contractor or other designated agent of the State. This results in many fewer entities involved in the IIN dissemination process. Furthermore, because FNS does not have a direct relationship with the processors or acquirers that are directly connected to the State agency's authorization system, having FNS be responsible for distributing IINs to those entities would place a greater burden on State agencies. Each State agency would be responsible for ensuring that FNS has the most current listing and contact information of such entities. State agencies would also need to inform FNS when a new processor or acquirer enters the system and necessitates the IIN information. Therefore, the requirement that each State agency be responsible for the distribution of State IINs is unchanged in this rule.

The commenter further questioned how a State agency could ensure that parties not directly connected to its system update their IIN information. Because of the several different levels of third party service providers and acquirers involved in the routing of EBT transactions, we understand the commenter's concern with getting information updated throughout the system. State agencies must, therefore, use the required third party processor (TPP) agreements to ensure that IIN files or routing tables are updated by all entities involved. These are the agreements each State agency is required to enter into with a TPP or acquirer directly connected to its authorization system. Once the agreements are in place, each TPP or acquirer has primary responsibility for having all the State IINs loaded into its system.

#### **Third Party Processor**

One comment was received regarding the third party processor interface requirements. The interim rule requires each terminal operator to interface directly with a State authorization system or with a third party service provider to obtain access to one or more State authorization systems. The commenter opposed the provision, believing that it does not allow retailers to connect directly to a State agency's

EBT processor. We would like to clarify that, by referencing direct interfaces with a State's authorization systems, we are referring to interfaces with a State agency's EBT processor or transaction switching agent. The purpose of the provision is to ensure that terminal operators make the necessary accommodations that will enable them to accept EBT cards from all States without requiring a system with multiple connections. Therefore, giving terminal operators the option to directly connect with a State's authorization system or with a third party processor provides them with the flexibility to establish the required interfaces in an efficient manner.

#### **FNS REDE System**

The interim final rule requires State agencies or their designated agent to access the FNS automated REDE system to update retailer authorization information on a daily basis. The requirement ensures that State agencies' EBT systems are using the most current Federally posted information on retailer authorizations nationwide when approving in-State and out-of-State EBT transactions. The requirement also helps to improve the efficiency of retailer operations overall. One commenter considered the requirement an unnecessary, time-consuming, and unfunded mandate due to the added time needed for additional "checks." We would like to clarify that transactions do not actually touch the national REDE file. Instead, the contractor uses the REDE file to update its own retailer database which is used to authorize transactions. While we understand that this is a new requirement, most State agencies or their vendors were already accessing REDE voluntarily prior to the publication of the interim rule because the manual process of receiving updated information via telefax or e-mail was more cumbersome. Currently, all State agencies that operate an EBT system are using the FNS automated REDE system. None of these State agencies have indicated that the system is overly burdensome. Furthermore, the requirement that State agencies access the REDE system on a daily basis is consistent with the level of importance we place on ensuring that food stamp benefits be approved only at authorized retailer locations.

The commenter also asked for clarification on State agencies' responsibility for the accuracy of the REDE file. This provision does not make State agencies responsible for the accuracy of the REDE file, but rather for