

## What is a Banking Product or Service (BPOS)?

What is a Banking Product or Service (BPOS)? At first glance this appears to be a straightforward question. A BPOS is a product or service offered by a bank. However, in examining the topic more deeply it becomes clear that there are actually many aspects to describing BPOS. This article will try to give more detailed insights to those aspects and the work done in ISO TC68/SC8 ISO 21586 to develop a guide for creating more standardized descriptions of banking services.

## What is the purpose of a standard on BPOS?

The history of banking goes back to the 11th century. Until the 1950's, most banking services provided by banks were similar and were easy to understand. There was no imminent demand for a standardized description of banking services.

With the introduction of computers and information technology BPOS began to change rapidly. Volumes increased, new products were designed and since the beginning of this century Fintechs started to play an essential role in the banking industry.

Several factors contribute to these changes:

- Traditional banking services provide the opportunity for tailoring and innovation of the banking products or processes
- More regulation leads to changes in product structures
- Growing complexity in financial markets drives the development of unique and sometimes very complicated banking products and services
- New market players from around the world – sometimes not even supervised by financial regulators – offering modern, banking-like services to meet consumer demand.

Commensurate with the increase in complexity, many institutions started to provide descriptions for their BPOS, which are often related to wholesale products. However, those descriptions differ from institution to institution and from banks to non-banks such that market participants can barely perform a proper comparison even for similar products. Market participants needed a solution that provides for standardized descriptions of BPOS.

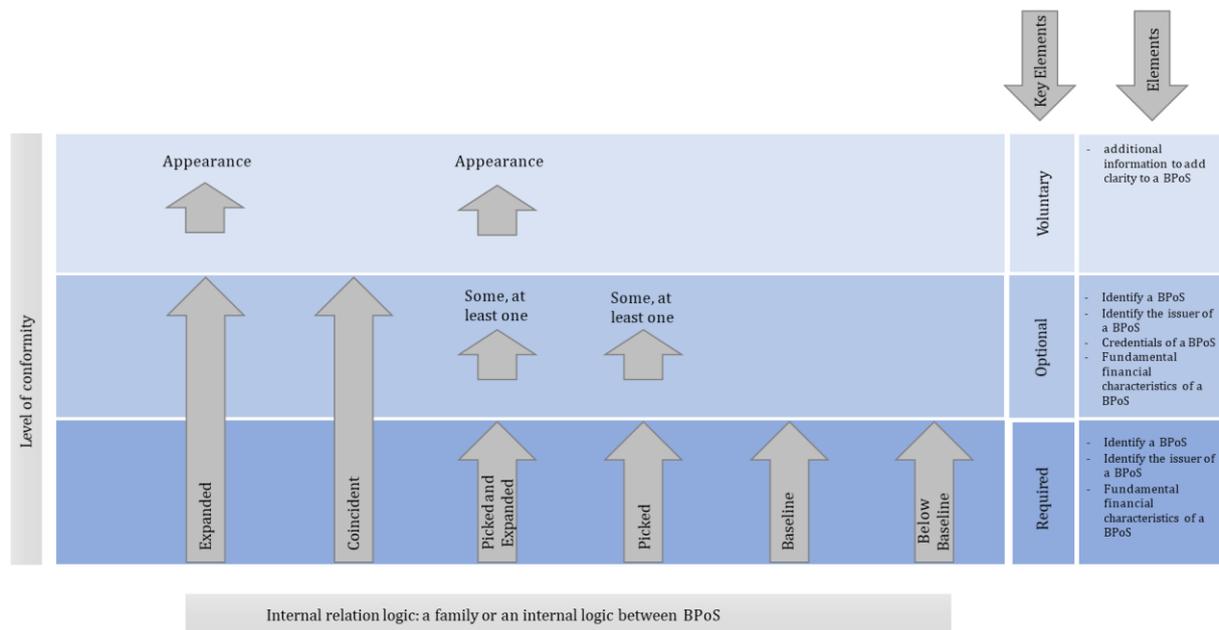
Given this need, ISO/TC68/SC8 developed a new standard (ISO 21586) to consistently describe the key aspects of BPOS, thereby helping market participants understand banking products and services better. This standard can be used as a template to create detailed, consistent descriptions of banking products and services. Such descriptions can:

- Help customers understand the characteristics of a BPOS and make better-informed decisions;
- Allow financial institutions – mainly their product managements – to be more efficient in describing, classifying, and communication about BPOS by consistently applying the description elements provided in the standard
- Provide regulators with the tools to more easily detect if information provided for a BPOS fulfils regulatory requirements or allows better transparency

## How is the BPOS standard used to create definitions?

The standard starts with defining six levels of conformity to describe the fulfilment of a requirement. These levels are mapped to the key elements of the product (i.e., descriptions of key facets of a BPOS) which are either required, optional or voluntary. The below landscape shows the relationship

between the conformity levels and the key elements and it shows that the more information is provided, the higher the conformity is and the better the understanding of the BPoS becomes.



The aim of ISO 21586 on BPoS is to ensure definitions provide market participants with four types of information, i.e. how to identify a BPoS, how to identify the issuer of a BPoS, what the credentials of a BPoS are, and the fundamental financial characteristics of a specific BPoS.

Please refer to the Appendix for an example of how the standard is applied in practice.

## Looking Forward

Following on the publication of the BPoS standard, a new work item - Technical Specification for Guidance for drawing up an internal BPoS manual - was introduced and is in ballot until 2021-01-23.

The scope of the proposed deliverable is to give guidelines for the contents of drawing up an internal BPoS manual that is oriented to the staff (mainly product management staff) of the BPoS provider (BPoS), in a manner of coherence with ISO 21586 that is oriented to customers of the BPoS.

The proposed deliverable aims to be applicable to any BPoS that issues and operates BPoS, especially the middle and small size BPoS in developing and underdeveloped countries and districts.

# APPENDIX

## Example based on Credit Card

### How to identify the BPOS?

BPOS identifier:	ABC-CD-0000-0001
Version of the description:	V1.0-20190218
Full commercial name:	Kins Dual Currency Credit Card <sup>a</sup>
Abbreviated commercial name:	KinsDCCC
Professional name:	A personal credit instrument, which: <ul style="list-style-type: none"><li>— may be used exclusively by the cardholder;</li><li>— allows transactions in CNY and a foreign currency;</li><li>— may be overdrawn;</li><li>— permits the withdrawal of cash;</li><li>— accepts deposits without interest;</li><li>— offers an interest-free period;</li><li>— may be granted to third parties for payment.</li></ul>

<sup>a</sup> Kins Dual Currency Credit Card is an example of a suitable product available commercially. This information is given for the convenience of users of this document and does not constitute an endorsement by ISO of this product.

### How to identify the issuer of the BPOS?

LEI code of BPOS:	5493 00E7 TSGL COVS Y746
ELF code of BPOS:	Enterprise
Full name of BPOS:	Agricultural Bank of China Limited
Address of BPOS:	69, Jianguomen Nei avenue, Dongcheng Qu, Beijing, China
Contact phone number of BPOS:	+86 10 95599
Website address of BPOS:	<a href="http://www.95599.cn/">http://www.95599.cn/</a>
Email address of BPOS:	<a href="mailto:e-statement@creditcard.abchina.com">e-statement@creditcard.abchina.com</a>
Instant messaging account of BPOS:	There are several public accounts in WeChat, but only in Chinese Mandarin.

### What are the credentials of the BPOS?

<p>Credentials of BPOS:</p>	<p>There are several credentials that may be used to identify and authenticate the cardholder. These include the following, divided into four groups:</p> <p>Group 1: combination of the name of cardholder, card number, valid thru date and CVV2/CVC2/CVN2. This credential is generally used without any credential carrier, e.g. via the call center.</p> <p>Group 2: information attached to the carrier in the card, including magnetic stripe information, chip information and embossing information.</p> <p>Group 3: information bound to standalone facilities, including a digital certificate associated with a physical key, a number or string generated by a digital token generator and an authorization code (or message) received by the registered cell phone.</p> <p>Group 4: payment order by authorized third parties.</p>
<p>Safekeeping, cleaning and maintaining the carrier of the BPOS credential:</p>	<p>The credit card should neither be bent nor placed near strong magnetic fields nor near or in a fire.</p> <p>The physical key and digital token generator are electronic devices and should be kept away from extremes of temperature as well as water.</p>
<p>Renewal of the carrier of the BPOS credential:</p>	<p>A new credit card will be issued for use before the indicated expiry date. The card will be issued by way of mail or in-branch. Once the new card is activated, the previous card will cease to be valid and cease to be useable as an active credit card.</p> <p>Both physical key and digital token generator have no expiry date.</p> <p>In the event of damage to the credit card, physical key or digital token generator, replacements are available in-branch.</p>
<p>Energy supplies of carrier of the BPOS credential:</p>	<p>The credit card requires no addition of or connection to a power source. When used in a contactless method, power is supplied wirelessly.</p> <p>The digital token generator is powered by an internal battery. This battery cannot be replaced.</p>
<p>Disposal of carrier of the BPOS credential:</p>	<p>An expired credit card should be destroyed such that the magnetic stripe and chip cannot be accessed, e.g. by cutting through both. The card can then be placed into standard plastic waste disposal.</p> <p>The physical key may be disposed of as per common household appliances.</p> <p>The digital token generator should be disposed of in a manner that takes note of it containing a battery.</p>

### What are the fundamental financial characteristics of the BPOS?

<p>CFI code of BPOS:</p>	<p>Not applicable.</p>
<p>Suitability:</p>	<p>A natural person of full age and capacity who can be validated by legal certificates.</p>
<p>Supported currency:</p>	<p>Both CNY and USD, where domestic card spending is settled in CNY and international spending is settled in USD.</p>

BPOS time-limits:	<p>The credit card remains valid for five years from the time of card activation, inclusive of the valid thru month. A new card will be issued in the month leading up to the expiry date unless the cardholder otherwise confirms that the card is no longer required.</p> <p>The digital certificate can be updated by the cardholder without renewing the physical key.</p>
Channel of distribution:	Credit card applications can be made via online and mobile banking, as well as in-branch. For online and mobile banking, the cardholder is required to visit a branch for card activation.
Channel of service:	The credit card may be used via the following channels: banking outlets, online bank, mobile bank, call center, merchant POS, ATM, CRS and self-service terminals.
Period of service:	The period of service is respective to the channel of service. Generally, online bank, mobile bank, call center, ATM, CRS and self-service terminals provide 24/7 service. Merchant POS and banking outlets, meanwhile, provide service during standard business hours, which may change from time to time.
Region of selling:	Inside the People's Republic of China.
Region of service:	Globally, in over 200 countries and regions. Over 200 million merchants around the world accept VISA, MasterCard and UnionPay credit cards. The card may also be used to withdraw cash from more than nearly 3 million ATMs internationally.
Purpose of BPOS:	The main purpose of the card is to serve as a global cashless payment means. The cardholder may overdraw within the authorized overdraft limit when paying.
Fundamental business procedure:	<p>Upon applying for a credit card, the bank will determine whether the applicant satisfies the conditions for a cardholder. A card will be issued following a successful, approved application. The card will be delivered, either by mail or via in-branch collection, as agreed with the customer. The cardholder should then activate the card as per the instructions accompanying the card.</p> <p>During ordinary use of the card, the bank will send a message via SMS or WeChat (as per cardholder prefer), whenever the card balance changes. A statement of account will be sent to the cardholder every month. The cardholder should repay any outstanding amounts by at least the stated minimum amount.</p> <p>In the event of a loss of a card, PIN security breach or other PIN matter, or if the card is no longer required, the cardholder should contact the bank via online or mobile banking channels, or visit in-branch, without delay.</p>
Expected financial benefits:	<p>The cardholder may overdraw to the authorized limit. Overdrafts include an interest-free period of between 28 days and 56 days depending on credit card conditions.</p> <p>The cardholder may overdraw in cash via ATMs or banking outlets. The cardholder may access additional services, such as overseas emergency services, when a card is lost or cannot be used in a foreign country. An emergency card replacement and cash withdrawal services will be made available to meet the cardholder's needs.</p>

<p>Cost of BPOS:</p>	<p>An annual fee for the credit card is payable by the cardholder. This fee can be reduced or waived should the cumulative number of transactions reach a stipulated number.</p> <p>When the cardholder fails to repay an outstanding amount, interest will be charged.</p> <p>When the cardholder has overdrawn cash, interest on the respective amount will be payable. A service fee will also be charged in these instances and will similarly be payable by the cardholder.</p> <p>In the event of a loss of a card, damage to a card affecting its standard usability and functionality and/or a PIN security breach, a fee will be levied for a replacement card, PIN or both.</p> <p>An example scenario of where these additional charges would be levied could be a cardholder's loss of corresponding physical key for online banking – the key being required for the digital certificate.</p> <p>Here, the cardholder may be charged a fee for the replacement physical key (as the carrier of a digital certificate).</p>
<p>Risks analysis:</p>	<p>The main economic risks to the cardholder derive from, for example, leaking of card credentials, loss of the card, loss of the physical key that the certificate is contained within, loss of the digital token generator, failing to pay outstanding amounts to at least the minimum amount required.</p> <p>A particular problem is the counterfeiting of credit cards via magnetic stripe cloning and subsequent unauthorized use abroad. To protect against this, the cardholder is strongly encouraged to explicitly specify countries and regions where the card use is necessary and preferred.</p> <p>The cardholder should also take care during general card use to ensure that, for example, transaction amounts and payees are entered correctly.</p> <p>Failure to pay outstanding amounts to the minimum amount required will affect the cardholder's credit rating.</p> <p>The credit card is for the exclusive use of the cardholder, i.e. the card should not be used by any other individuals. Card credentials should similarly not be shared. Either of these instances breach the conditions of the card use.</p>
<p>Matters requiring attention:</p>	<ol style="list-style-type: none"> <li>1. The card should be held and used exclusively by the named cardholder.</li> <li>2. The card should be signed by the cardholder immediately upon receipt.</li> </ol> <p>The cardholder is encouraged to contact the bank via the call center or WeChat with any questions or concerns.</p>
<p>Relevant BPOS:</p>	<p>If the cardholder also holds a debit card, automated credit card re-payment scheduling can be set up.</p>
<p>Terms explaining:</p>	<p>Overdraft: an overdraft occurs when money is withdrawn from a bank account and the available balance reduces below the value of zero. An authorized overdraft permits this to occur on a recurring basis rather than requiring approval on each occasion.</p>
<p>Involved third party:</p>	<p>AliPay, TenPay, ApplePay</p> <p>Each third party should be explicitly authorized by the cardholder, with the latter understanding their own rights and obligations as a cardholder as well as those of the third party.</p> <p><b>IMPORTANT: card usage will be affected once the card is authorized to a third party.</b></p>