Secure Electronic Transactions (SET)

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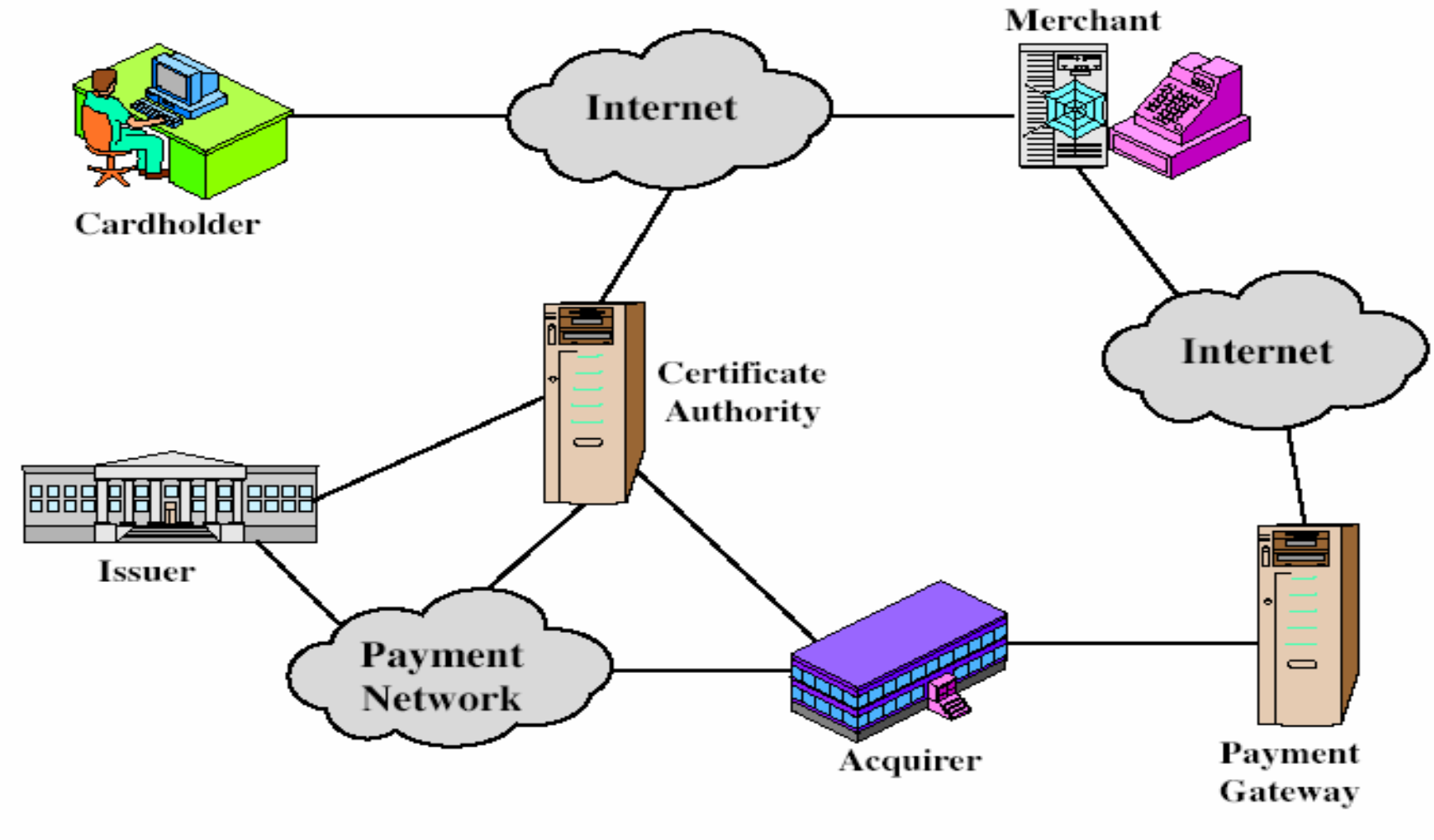
- open encryption & security specification
- to protect Internet credit card transactions
- developed in 1996 by Mastercard, Visa etc
- not a payment system, rather a set of security protocols & formats
  - secure communications amongst parties
  - trust from use of X.509v3 certificates
  - privacy by restricted info to those who need it

SET Components



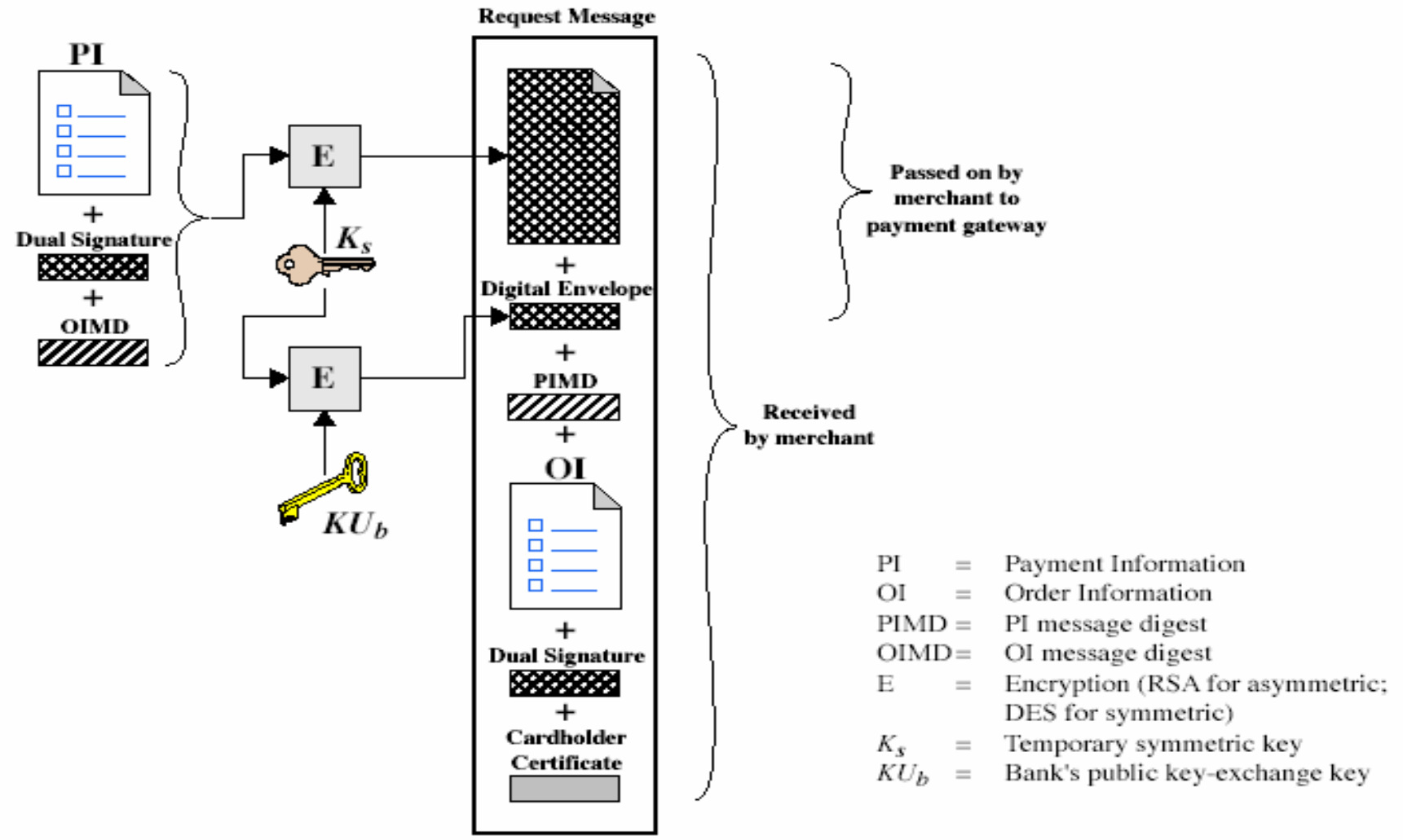
SET Transaction

1. customer opens account
2. customer receives a certificate
3. merchants have their own certificates
4. customer places an order
5. merchant is verified
6. order and payment are sent
7. merchant requests payment authorization
8. merchant confirms order
9. merchant provides goods or service
10. merchant requests payment

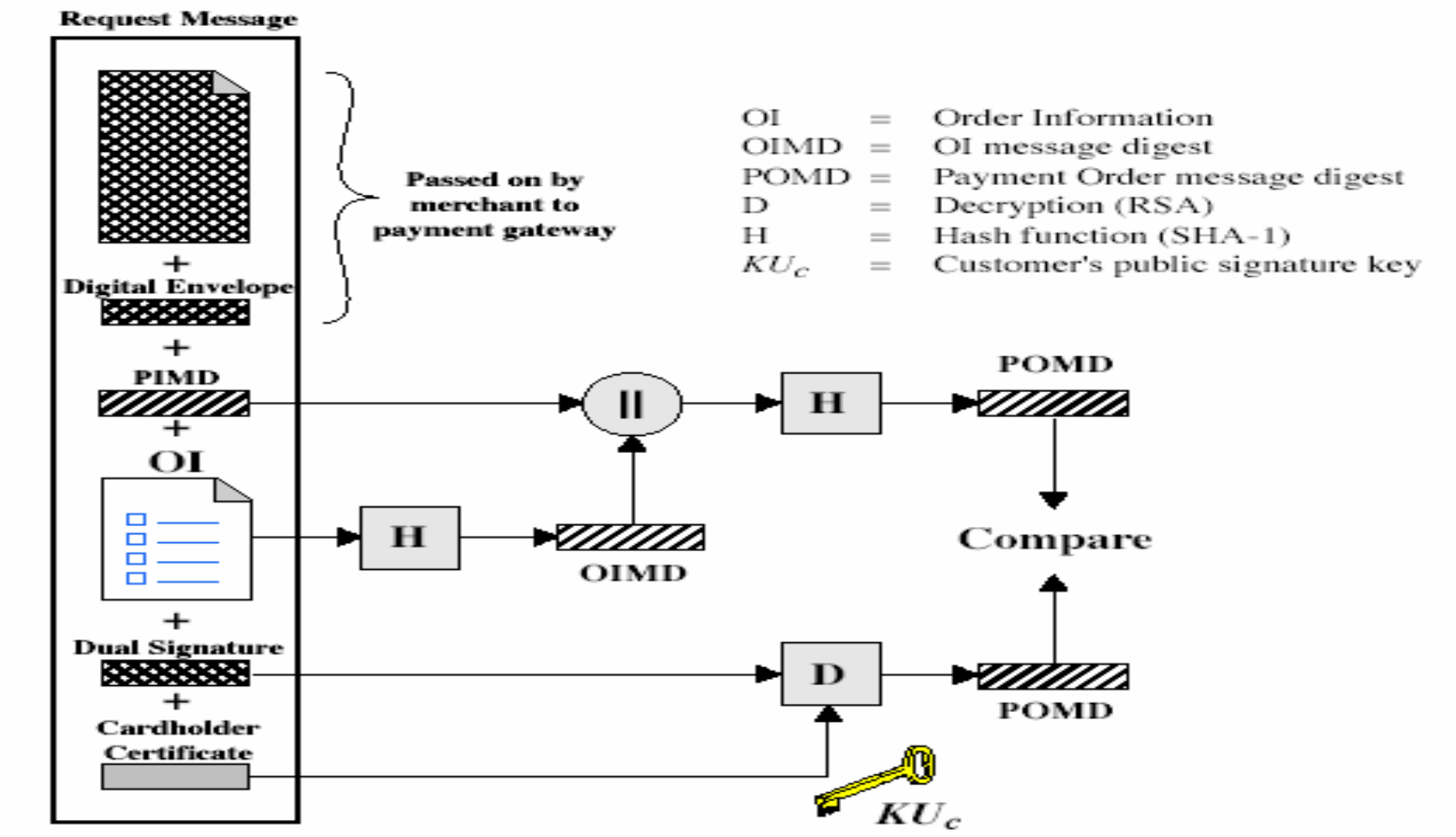
Dual Signature

- customer creates dual messages
  - order information (OI) for merchant
  - payment information (PI) for bank
- neither party needs details of other
- but **must** know they are linked
- use a dual signature for this
  - signed concatenated hashes of OI & PI

Purchase Request – Customer



Purchase Request – Merchant



Purchase Request – Merchant

1. verifies cardholder certificates using CA sigs
2. verifies dual signature using customer's public signature key to ensure order has not been tampered with in transit & that it was signed using cardholder's private signature key
3. processes order and forwards the payment information to the payment gateway for authorization (described later)
4. sends a purchase response to cardholder

Payment Gateway Authorization

1. verifies all certificates
2. decrypts digital envelope of authorization block to obtain symmetric key & then decrypts authorization block
3. verifies merchant's signature on authorization block
4. decrypts digital envelope of payment block to obtain symmetric key & then decrypts payment block
5. verifies dual signature on payment block
6. verifies that transaction ID received from merchant matches that in PI received (indirectly) from customer
7. requests & receives an authorization from issuer
8. sends authorization response back to merchant

Payment Capture

- merchant sends payment gateway a payment capture request
- gateway checks request
- then causes funds to be transferred to merchants account
- notifies merchant using capture response