



How Merchants Can Turn an SCA Compliance Challenge into a Business Positive

Merchants that adopt Strong Customer Authentication can turn regulatory compliance into a business positive, improve customer loyalty & increase revenue



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Payments

Payments Services Directive (PSD2) and Strong Customer Authentication (SCA) are a European directive to make payments more secure. SCA will be enforceable within the European Economic Area (EEA) at the end of the year and requires more robust fraud prevention checks for online transactions.

European merchants should not delay their implementation of SCA regulatory compliance payment strategies.

Acting now to ensure compliance will give merchants time to align and test their platforms and processes with banks and payment service providers (PSP) to ensure a seamless transition when the PSD2 provisions become mandatory. Going live with a viable system early allows retailers to gain a competitive advantage over those who delay their PSD2 SCA compliance.

Background

PSD2 compliance, the EEA response to technological advances in both the electronic payment and the cybercrime realm, is designed to make mobile and traditional eCommerce transactions safer from account takeovers and other fraudulent activities.

EU Commission and the EBA have confirmed that they will not provide additional time beyond 31 December 2020 for SCA implementation and that it will be fully introduced on 1 January 2021 as previously agreed. The Financial Conduct Authority (FCA) confirmed the new SCA enforcement date to be 14 September 2021 in the UK.

As part of the new provision, SCA regulations direct both card issuers and merchants to create secure environments for electronic transactions by requiring user authentication via two-factor authentication.

Account holders will be required to provide two of the following:

-  Something they know (a PIN or password, for example)
-  Something they possess (such as a cell phone that can generate a code or receive an SMS)
-  Something inherent (such as a retina scan or fingerprint)

Merchants who process these requirements with the least friction for legitimate users can gain a strategic advantage over those who do not. Maintaining a pleasant and streamlined checkout process is key to reducing cart abandonment and generating goodwill with customers.

eCommerce companies can protect their businesses during the PSD2 SCA transition in several ways:



Exemptions

Merchants may request and card issuers may or may not grant, potential exemptions that are allowed by the SCA regulations. Using exemptions properly and wisely can eliminate the need for two-factor authentication and its accompanying potential for customer friction.

Here are some examples of potential exemptions (restrictions may apply):

-  Transactions less than €30 equivalent
-  Recurring transactions of the same amount and same payee (such as a monthly subscription)
-  Trusted beneficiaries as noted by customers' whitelisted merchants
-  Low-risk transactions as determined by transactional risk analysis

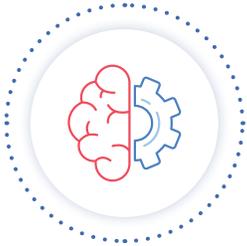
The lead time before full PSD2 compliance is required allows merchants to analyse their sales and understand which exemptions will best apply to their transactions and then research vendor solutions, which assist with identifying exemptions and applying scope checks, to understand which best suits their transaction profile. Merchants should consider that they may be liable for fraud-related chargebacks resulting from transactions for which they have an exemption request approved.



EMV 3DS

3DS2, the industry standard for managing two-factor authentication allows merchants, banks, and credit card issuers to share and compare user data by creating another layer of security during checkout.

Companies that use 3DS2 can offer customers multiple ways to authenticate their accounts, rather than merely the standard mobile phone number--something that many merchants may not have considered.



Data and Machine Learning

Whilst well performing merchants should face little difficulty obtaining exemptions for low-value and recurring transactions, the real prize will come from maximising exemptions granted through Telecommunications Regulatory Authority (TRA).

Merchants taking an aggressive approach to compliance can partner with security providers whose sophisticated pre-authentication models will power TRA exemptions.

As the probability of correct decisions increases, fewer customers experience friction at check-out, while suspicious payments face greater scrutiny. The earlier merchants integrate with Accertify's SCA process, the more data they can collect, and the faster they can demonstrate low risk approval decisions.

By embracing the upcoming changes, educating customers, and promoting

transparency, companies can earn goodwill while they focus on implementation.

Merchants can already work with acquirers and PSPs to ensure technical compatibility, agree which data is appropriate to share, and create decision matrices to maintain stringent security whilst also streamlining the customer journey.

Accertify's SCA solution enables compliance with PSD2 regulations, is compatible with your internal fraud-prevention operations, takes full advantage of SCA exemptions, and supports a friction-free customer experience.





Contact us for a consultation

to see how Accertify can create an optimised SCA solution for your business.

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