European Payment Institutions Federation

EBA Q&A

EPIF PSD2 and CDR on SCA questions

1. Application of Transaction Risk Analysis (TRA) exemption – Commencement of calculation:	
Problem	The timeframe for calculating the fraud rate that will determine if a PSP can apply the TRA exemption on the day SCA comes into force is unclear. There are 2 options: (1) PSPs have a clean slate (i.e. 0% fraud rate) on day one and be able to apply the TRA exemption for the first quarter without restriction; or (2) the fraud rate on day one is calculated based on the previous 3 months' fraud rates, before PSPs have had the opportunity to apply SCA or the exemptions.
Questions	When will the fraud rate for determining whether a PSP can make use of the TRA exemption on the day SCA comes into force be calculated from? Can the quarter start from 1 October 2019? The same question applies when a new PSP wants to make use of TRA.
Solution	We propose that PSPs are given a clean slate (0% fraud rate) on the day SCA comes into force and upon the going live of a PSP. This will help PSPs initially apply the TRA exemption and more effectively manage fraud rates. The alternative approach would affect PSPs' ability to use the TRA exemption and, if forced to apply SCA on all transactions, would create an immediate and significant decline in the consumer experience. Experience from the introduction of 3DS shows that adding friction into the system, e.g. by asking consumers to set up and use password protections for each transaction, leads to significantly higher dropout rates mid-transaction. This is damaging to merchants who risk losing customers, and to the e-commerce sector as a whole.

2. Application of Transaction Risk Analysis (TRA) exemption – Real time risk analysis / monitoring:	
Problem	The factors mentioned in Article 18 (2)(c) of the CDR cannot all be fulfilled by Acquirers given their limited view of the transaction environment because only issuers and ASPSPs have the necessary proximity with their clients.
Questions	Can the suggested solution please be confirmed?
Solution	Acquirers should therefore make a best effort to apply all factors in their real time risk analysis / monitoring but may use the TRA exemption if they can only analyse / monitor one or more factors.

3. Trusted Beneficiary exemption – Management of the exemption, information flows between PSPs in the payment transaction:	
Problem	A payer can create a list of trusted beneficiaries through their ASPSP, as stipulated by article 13. We can imagine payment situations and use cases where performing a strong customer authentication by the ASPSP could prove difficult, lengthy, or complex. Therefore, merchants would be willing to propose SCT based payments only when having a reasonable chance that no SCA will be required. Additionally, merchants could understandably be very reluctant to communicate their IBAN to their customers in order for them to add them to their Trusted Beneficiary List. To ensure a seamless customer experience, it would be beneficial for an Acquirer or PISP to allow payers to be able, in a

	secure and controlled way to trigger the addition to the Trusted Beneficiary List (at the time of a customer registration, or upon a first transaction, which would require an SCA) through the ASPSP or to be able to query the list in order to check whether he is on the list and has a reasonable chance to avoid the ASPSP to require an SCA.
Questions	For the seamless management of the article 13 exemption, should ASPSPs provide a feature that: 1) informs Acquirers and PISPs whether the payee is included in the payer's list of trusted beneficiary; and 2) allows Acquirers and PISPs to suggest new entries or amendments to a payer's list of trusted beneficiaries?
Solution	We propose that ASPSPs, in cooperation with other PSPs including Acquirers and PISPs, create mechanisms to: 1) enable a payee to check whether the payee is included in the payer's list of trusted beneficiaries, and 2) allow those PSPs to suggest new entries or amendments to a payer's list of trusted beneficiaries (both for card transactions and Credit transfer transactions). This would need to be confirmed by the payer through their ASPSP. This could be achieved using the available ASPSP APIs and would require an SCA to be performed by the ASPSP, for the payer to confirm the edits to the list. When it relates to credit transfers, we do not see many other workable alternatives to manage trusted beneficiaries lists, as it is not realistic to ask large merchants for theirs IBANs.

4. Recurring transactions exemption – Application to existing recurring payment transactions:	
Problem	Existing recurring payment transactions should be able to continue unhindered after the CDR becomes applicable because requiring SCA will not be possible as the payer is not available to perform SCA. This is reflected in the exemption as subsequent transactions may be exempted from the application of SCA.
Questions	Can the suggested solution please be confirmed?
Solution	We therefore propose that it is clarified and confirmed that existing recurring transactions arrangements are allowed to continue without the need to apply SCA until these are amended in any way.

5. Payee-initiated transactions with irregular period or variable amount	
Problem	Many use cases exist where merchants debit an account or card in irregular intervals or with variable amounts due to a standing agreement with the account holder or cardholder. Such use cases include public transport, car or bike sharing services, utility services etc. Common to these models is that the fee for usage of a service is aggregated over a period of time and subsequently debited in one payment transaction. To the extent that the service has been used or has not been used during a period, the interval and amount of the payment transactions vary. Another sort of use case include top-up or loading transactions for all sorts of prepaid services such as mobile phone services or even public transport. Common to these models is that in the event, when the prepaid amount falls below a pre-agreed threshold, a loading transaction is automatically initiated. Common to these models is that the subsequent payment transactions are initiated by the payee only, without any participation of the payer in the initiation of the payment transaction. Rather, the initiation of such subsequent payment transaction is triggered by certain events.
Questions	For sake of clarity, can the suggested view be confirmed?

Solution	We consider such subsequent transactions not to be in the scope of art. 97 (1) (b) as these transactions are not initiated by the payer nor in the scope of art. 97 (1) (c) as there is not any action carried out by the payer.

6. MoTo Payments initiated via IVR	
Problem	Telephone order transactions are in some environments initiated via an IVR without any assistance through an agent of the payee. The payer keys in their card credentials via a telephone key pad and the payee's systems generate a transaction record which is submitted for authorisation and clearing. The language of art. 97(1) does not provide clarity whether payment in such acceptance scenario shall be considered as initiation of an electronic payment transaction subject to SCA. We consider this sort of payment as an equivalent to telephone order transactions which are keyed in through a human agent.
Questions	For sake of clarity, can the suggested view be confirmed?
Solution	Transactions initiated through a telephone shall be not considered as electronic transactions, neither when the initiation is effected through an agent of the merchant nor when the initiation is effected through an IVR.

7. Applicability of SCA to wallet solutions	
Problem	The CDR does not contain specific provisions for wallet solutions. Difficulties arise in the 'staged' wallet scenario, where in principle there are two transactions that would require SCA (unless exemptions apply): 1. one for the **funding of the wallet**, where the wallet provider, acting as a merchant, pulls the funds from the consumer's funding instrument (e.g. a credit card) and places it in the consumer's wallet; 2. another one for the **payment transaction to the payee**, where the wallet operator transfers the funds to the ultimate merchant's wallet account. The funding transaction should be considered as a transaction initiated by the payee only, which means that it does not require SCA by the ASPSP, provided that the initial **addition** of the funding instrument to the wallet was **securely performed using SCA by the ASPSP** - this can be likened to the setting-up of a direct-debit mandate, so subsequent transactions would be payee-initiated. The second element of the transaction, i.e. the transfer of funds to the payee, would be subject to SCA by the wallet provider (unless an exemption applies). This would significantly simplify the consumer experience and avoid customer confusion, who would avoid having to go through two separate authentication processes within such a short timeframe for the same transaction. Today, this applies mainly in a scenario where the wallet is funded by a credit card. However, in the future, and with the rise of instant payments, other types of funding instruments will develop and should be considered.

Questions	Is a single SCA sufficient for transactions performed in staged wallet solutions? Does the funding transaction qualify as a transaction initiated by the payee only, which does not require SCA by the ASPSP?
Solution	Yes, a single SCA is sufficient for transactions performed in stage wallet solutions, given that the funding transaction is initiated by the payee only and therefore does not require SCA by the ASPSP (with the exception of the initial addition of the funding instrument, which will be subject to SCA).

8. Issue: Application of SCA exemptions	
Problem	SCA exemptions are a key element in ensuring positive user experiences. Customers should be able to benefit from SCA exemptions, regardless of whether they choose to initiate a payment via a TPP or the ASPSP directly As reflected in Table 1 of the EBA's opinion on the implementation of the RTS on SCA and CSC and following Articles 18(2)(c)(v) and (vi), 18(3), 30(2) and 32(3) of the RTS, ASPSPs shall be enabled to apply the same exemptions from SCA for transactions initiated by PISPs as when the PSU interacts directly with the ASPSP.
Questions	How can be ensured that ASPSPs are offering SCA exemptions to customers accessing services via a TPP to a level comparable to those customers accessing ASPSP services directly?
Solution	Within the API environment, TPPs should be enabled to a) suggest the application of a SCA exemption b) indicate that the TPP is willing to take the liability in case of PSU complaints as a result of the application of a SCA exemption requested by the TPP This does not affect the ASPSPs ability to apply SCA or to decide whether or not an exemption applies to a PSU's payment account in the context of TPP. It enables the ASPSP to decide only as a last resort and on the basis of reasonable grounds to overrule the suggested exemption of the TPP. ASPSPs should therefore return a reason code for not permitting an exemption-request as part of the API communication. Furthermore, the percentage of transactions exempted from SCA when initiated via a TPP should be transparent and comparable to the percentage of transactions exempted from SCA when initiated directly via the ASPSP's own interface. This should also be part of the evaluation of an API's performance, especially if an ASPSP wishes to be exempt from providing the contingency measure. The respective percentages should therefore be reported.