Common position on SCA implementation

Please find below the joint position of EPIF, EuroCommerce, Ecommerce Europe and Visa on SCA implementation, following the EPIF workshop on the same subject that took place in Brussels on Tuesday 21 May 2019.

1.   Context

PSD2 will require EU Payment Service Providers (PSPs) and, by extension, merchants using those PSPs, to conduct Strong Customer Authentication (SCA) on e-commerce customer card transactions beginning 14 September 2019, except where regulatory exemptions apply. Implementing SCA and its exemptions requires extensive coordination of technical and other protocols among the card scheme networks (including Visa, MasterCard and American Express), merchant PSPs, card issuing PSPs, merchants, regulators and other service providers. It also requires merchant readiness to complete SCA challenges. Payment service providers are working hard to meet this deadline and developing innovative product solutions to meet this challenge. At this point in time it is estimated that 25-30 % of transaction will be declined.

SCA affects the way consumers authenticate themselves, and therefore their purchasing experience. After September, the effective management of authentication and exemptions to offer a seamless and secure payment experience to customers will be one of the key drivers for the growth of ecommerce in Europe. Exemptions listed in the RTS and the fast development of authentication technologies, such as biometrics, can help provide a good customer experience while ensuring security of transactions. However, stakeholder engagement and readiness ahead of the September launch date is uneven across Europe.

For SCA to work effectively, there needs to be awareness and acceptance of the new PSD2 requirements not only among the PSPs but also the merchant community. PSPs are also expected to inform their customers of the upcoming changes related to their shopping experiences, upgrade their systems, introduce new data fields to capture transaction types and collect information such as phone numbers to allow customers to complete the authentication process.

The workshop brought together all parties in the payment chain to take stock of the implementation of SCA and ongoing challenges. Participants included EPIF members, other representatives of PSPs and the card schemes on the one hand, with the representatives of the merchant community (both from EU and Member State level) on the other. The European consumer organisation and regulators also participated.

2.   Draft Recommendations

As a community we work towards full compliance for regulated entities however acknowledge that there remains many challenges that impacts the entire ecosystem. The recommendations need to find a balance between the market challenges and the regulatory obligations of Issuers and Acquirers. Any recommendations need to be clear in content and be easily transposed at an operational level.

Please find below the recommendations resulting from the discussions of the workshop which would collectively ensure the smooth implementation of SCA.

1) The European Commission, EBA and national competent authorities should consider, as a matter of urgency, the introduction of a phased implementation approach to ensure all relevant stakeholders are adequately prepared or introduce a commonly agreed limited implementation period during which issuing PSPs could apply SCA on a risk based approach mapped against fraud levels. Time should also be given to all parties to effectively communicate the transition to SCA to their respective customers.

2) In implementing the SCA rules, PSPs, merchants and regulators should consider the end consumer experience and to ensure that the consumer journey remains as smooth as possible; while managing fraud levels effectively. Failure to do so will result in a significant and negative impact on merchant conversion rates and disrupt e-commerce across the EU, putting €Millions of sales at risk and potentially damaging consumer confidence.

3) The SCA requirements need to be communicated and implemented in a harmonised way EU-wide in order to avoid any arbitrage and distortions to the Single Market.

4) The implementation of the SCA rules needs to factor in an effective understanding and consistent application of the exemption regime across the EU – as foreseen under the PSD2.

5) The SCA rules need to go hand in hand with an effective communication strategy by all parties involved. This is to minimise the possible disruption caused by the introduction of SCA in regards to the customer journey and merchant conversion rates.

6) Regulators and industry should assess and monitor the readiness of the infrastructure to comply with the SCA requirement. This includes adequate customer readiness and accessibility (mobile phone numbers configured with issuers, issuer apps installed and testing capabilities) and capacity and reliability of systems that will execute and communicate SCA experiences.