

17th September 2019

José Manuel Campa
Chair, European Banking Authority
EUROPLAZA
20 Avenue André Prothin
92927 Paris La Défense
France

Dear Mr Campa,

We welcome that industry and the European Commission, EBA and national competent authorities are aligned towards a constructive but robust and consistent implementation solution for SCA across Europe. This would assist the payment industry to implement the PSD2 SCA regime in full, whilst avoiding substantial domestic and cross-border eCommerce transaction declines. Working together across the payment chain, the co-signatories have been reflecting further on the best approach to achieve this shared objective.

We believe such an approach is essential to provide clarity to customers, merchants, the payment industry and national competent authorities alike. It also gives the European Commission, EBA and national competent authorities certainty that an ambitious implementation timetable is kept and that the PSD2 leads to the levels of fraud reduction that are envisaged.

A harmonised implementation roadmap will need to reflect national specificities, while also leading to a common outcome across the Single Market to limit disruption to cross-border eCommerce. This roadmap also needs to reflect the operational reality of allowing merchants and the payment industry to make the necessary technological and process changes that are required across the entire payment value chain.

We welcome the clarity provided so far as to what constitutes SCA compliance. Nevertheless, the technology required to support the requirements must be delivered in a timely and harmonised manner. Any inconsistencies about the regimes implementation across Europe will stand in the way of a harmonised European approach. SCA processes and solutions should remain technology neutral. It is important that the industry is allowed to innovate and design technology to achieve the regulatory objectives of reducing fraud. The focus should be on ensuring measurable reductions in fraud rates consistent with the aims of PSD2.

1. An 18-month roadmap is required to fully implement the majority of SCA regime

We call upon the European Commission, EBA and the national competent authorities to adopt a consistent and harmonised managed implementation period of 18-months across Europe until March 2021. There are some very specific use cases that require a longer transition.

We recognise that some national competent authorities have started to look into developing operational readiness plans. In our view, for the majority of SCA cases, an 18-month readiness plan for card-based payments, whilst retaining national discretion at the operational level, would provide sufficient time for:

i) Communication:

- Ideally 6 months for issuers and acquirers to inform all their cardholders and merchants about the latest guidance on SCA requirements. By the end of the implementation period, merchants and

cardholders must be fully informed about strong customer authentication via robust publicity campaigns led by issuers, card schemes, and where appropriate, governmental entities.

ii) Enrolment in SCA compliant solutions:

- Acquirers could enrol all their merchants in EMV 3DS, by September 2020. Issuers, acquirers, and their service providers must have adopted EMV3DS at least 90 days prior to September 2020 to allow adequate time for testing. Issuers, acquirers, and their service providers must be capable of supporting all regulatory exemptions via EMV 3DS, as well as via standard authorisation protocols.
- Ensure sufficient time on top of this merchant enrolment period to allow for testing and refinement of the 3DS regime to prepare for a robust framework which is effective in responding to issuer declines.
- Where required, permit issuers to enrol all their cardholders in SCA compliant solutions (2 factors), by March 2021. Some national competent authorities may provide additional time for certain long-term strategic SCA compliant solutions if their national markets require it.

iii) Non-authenticated transactions and legacy solutions:

- In line with the national roll out plans, acquirers should be allowed to send transactions without SCA data or out of scope indicators direct to authorization for transactions requiring SCA for up to 18 months. This would accommodate industry readiness and migration to solutions which can implement the SCA regime in full. Whilst the EBA has provided sufficient clarity on the SCA regime through its June Opinion document, the relatively late clarifications have impacted the ability of issuers to prepare.
- Until then, the following should be permitted:
 - Allow acquirers to send non authenticated authorisation requests even if they require SCA and allow issuers to authorise non-authenticated transactions requiring SCA, and
 - Allow issuers to continue to authenticate transactions with legacy authentication solutions (e.g., card data + SMS OTP) if a 3DS flow is sent.

iv) Measurable Milestones Backed with Clear Metrics

- The key components of the managed rollout should be monitored and assessed with clear metrics that measure progress and readiness for full application of SCA at both the industry and individual PSP level.
- The process should be transparent for all stakeholders involved. In particular, full transparency about issuer and acquirer readiness and their active use of 3DS2 to enable proper testing is necessary.
- The details of the matrixes and the operational milestones should be adopted by each market at a national level but harmonised as much as possible at European level. These should be consistent with the overall deadlines set out above.

2. Longer adaption period of 36 months for several specifically defined use cases

There are some specific cases where a longer adaptation period would be needed.

There are three defined use cases we are currently considering:

- Declines of cross-border e-commerce card transactions;
- Customers with special requirements to ensure financial inclusion;
- The travel and hospitality sector: In particular, the cases of non e-commerce pan key-entered transactions;
- Payments utilising particular types of hardware, such as TV sets, speakers or e-readers.

In the absence of a consistent, Europe-wide approach the consequences would be:

- Inability to apply the same rules for intra Euro transactions.
- Inability for issuers and acquirers that operate across member states to deploy a consistent version of 3DS.
- Interoperability will be compromised.

We look forward to continuing our dialogue with the European Commission, the EBA and the national competent authorities to promote a consistent, harmonised and effective implementation of SCA across Europe and help to meet the objective of reducing payment fraud, while minimising disruption to the customer.

Yours sincerely,

The co-signatories

