

# **STRONG CUSTOMER AUTHENTICATION FOR E-COMMERCE**

## **INDUSTRY RAMP-UP APPROACH**

### **INTRODUCTION**

From a regulatory perspective, Strong Customer Authentication (SCA) under PSDII for e-Commerce is due for full implementation by 31<sup>st</sup> December 2020. Despite the efforts of market participants, it is apparent that many will not be in a position to support SCA from 1<sup>st</sup> January 2021 due to challenges resulting from the COVID19 pandemic. During 2020 the focus of all market participants needed to pivot to ensure continuity of services and sustainability of businesses, leaving very limited time and resources to develop, test and implement the required changes to support SCA.

Therefore, strict enforcement of SCA by the Industry, from 1<sup>st</sup> January 2021, has to be avoided - it will result in damage to consumers and merchants alike and will likely trigger significant broader economic detriment. To protect against such impacts and try to influence the ecosystem to move towards implementation of SCA as soon as possible after 1<sup>st</sup> January, and similar to other European markets, a stage gate/phased approach will be adopted.

In effect this approach means that Issuers will gradually ramp-up to full adoption of SCA which will incorporate value thresholds and the implementation of soft declines when processing card payments. This ramp-up approach does not mean that values below the ramp-up thresholds will all be approved; transactions will continue to be closely monitored for possible fraud and decline transactions may be made for reasons other than the inability to support SCA. However, the ramp-up approach will provide opportunity for resubmission of some transactions to enable Issuers to authenticate the transaction if deemed necessary – this process is referred to as a soft-decline. Additionally, Issuers will implement a process that drives consistency of experience for cardholders and increases awareness and understanding of SCA.

It is further encouraged that all e-Commerce participants move as quickly as possible to implement SCA and do not consider this additional time as an opportunity to pause or slow-down. During the pandemic online shopping has become increasingly popular, it is therefore incumbent on everyone to implement the additional security that SCA can provide for as soon as possible.

## **INDUSTRY RAMP-UP APPROACH**

The objectives of the Industry Ramp-up Approach are as follows:

- ✓ Proven and evidence-based Market and Technology Readiness by all ecosystem participants through qualitative and quantitative market monitoring and reporting
- ✓ Avoid a big-bang implementation of SCA thus minimising economic detriment with the implementation of value driven soft declines for direct to authorisation transactions
- ✓ Drive consistency for consumers by providing market alignment with agreement by Issuers for consistent value driven application of SCA for all securely presented transactions i.e. transactions presented that can support SCA if deemed necessary by the Issuer

### **Stage Gate 1 – 20<sup>th</sup> January 2021 to 28<sup>th</sup> February 2021**

- Apply SCA for all securely presented transactions >€500 <sup>1</sup>
- Active monitoring to measure market and technology readiness

### **Stage Gate 2 – 1<sup>st</sup> March 2021 to 31<sup>st</sup> March 2021**

- Apply SCA for all securely presented transactions >€250 <sup>1</sup>
- All direct to authorisation transactions are soft declined >€750 <sup>2</sup>
- Continued monitoring to measure market and technology readiness

### **Stage Gate 3 – 1<sup>st</sup> April 2021 to 30<sup>th</sup> April 2021**

- Apply SCA for all securely presented transactions as necessary i.e. no value threshold
- All direct to authorisation transactions are soft declined >€500 <sup>2</sup>
- Continued monitoring to measure market and technology readiness

#### **Stage Gate 4 – 1<sup>st</sup> May to 31<sup>st</sup> May 2021**

- Apply SCA for all securely presented transactions as necessary i.e. no value threshold
- All direct to authorisation transactions are soft declined >€250 <sup>2</sup>
- Continued monitoring to measure market and technology readiness

#### **Stage Gate 5 – 1<sup>st</sup> June – 30<sup>th</sup> June 2021**

- Apply SCA for all securely presented transactions as necessary i.e. no value threshold
- All direct to authorisation transactions are soft declined >€150 <sup>2</sup>
- Continued monitoring to measure market and technology readiness

#### **Full implementation on or before 1<sup>st</sup> July 2021**

<sup>1</sup> The application of SCA to securely presented transactions above defined values throughout stage-gate 1 and 2, will drive consistency for the cardholder experience above these value thresholds. These thresholds do not restrict Issuers from applying SCA where they believe it to be necessary and, more importantly, in the best interests of the cardholder.

<sup>2</sup> Whilst the soft decline threshold will start at €750 at Stage Gate 2, it is expected thereafter that this threshold will be reduced on a steady and regular basis until 30th June at which time all merchants are expected to be in a position to fully support SCA no later than 1<sup>st</sup> July 2021. Additionally, these thresholds do not restrict Issuers from applying SCA where they believe it to be necessary and, more importantly, in the best interests of the cardholder.

**As 2021 evolves we will continuously assess the pace and success of market and technology migration and, if practical and feasible to do so, the journey to full implementation may be accelerated. We will continue to provide updates @ [www.mypsd2.ie](http://www.mypsd2.ie)**

**8<sup>th</sup> December 2020**