

WHAT ARE PSD2 AND SCA?

The 2nd Payment Services Directive (PSD2) was established by the European Banking Authority (EBA) to drive payment innovation and data security by reducing competitive barriers, mandating new security processes and encouraging standardized technology. Although consumers will see tremendous benefit around security and data protection, issuers and merchants will face new challenges.¹

The effective date for PSD2's Strong Consumer Authentication requirement is **September 14, 2019**; however, Mastercard is requiring that all merchants, issuers and acquirers support EMV® 3DS and Mastercard Identity Check (their EMV 3DS solution) by April 2019.



One of the new mandates within PSD2 is what is known as Strong Customer Authentication (SCA). The goal of the mandate is to ensure that fraud is reduced and merchants/issuers in the European Economic Area (EEA) are validating the consumer for all electronic payments.

Authentication is now core to payment processing. Without successful authentication, your authorization rates will suffer.

The SCA requirement is defined as having **at least two** of the following three:

		
SOMETHING ONLY THE CUSTOMER HAS	SOMETHING ONLY THE CUSTOMER KNOWS	SOMETHING ONLY THE CUSTOMER IS

EMV 3DS allows merchants and issuers to take advantage of SCA exemptions and reduce checkout friction.

EMV 3-D Secure (aka 3-D Secure 2.0) helps to manage exemptions for SCA, and Cardinal Consumer Authentication fulfills the SCA requirement and allows exemptions by leveraging EMV 3DS. Some of these exemptions include exemptions for low value payments, whitelisted merchants, and using transaction risk analysis in some circumstances.



MERCHANTS MUST BE COMPLIANT BY THE SEPTEMBER 14, 2019 DEADLINE, LESS THAN ONE YEAR AWAY!

WHAT IS 3-D SECURE?

3-D Secure is a set of protocols that authenticates Card-Not-Present transactions. Its benefits include reducing fraud and false declines and increasing good orders, which limits friction for consumers during checkout.

3DS enables merchants and card issuers to use what each knows about their mutual consumer to make better risk decisions. EMV 3DS uses hundreds of data points from the issuer and from the merchant to authenticate the majority of transactions behind the scenes, from any device. Unlike a traditional fraud tool, 3DS does not reject orders, allowing the merchant to save sales that may appear risky. The result is more good orders and more happy buyers!

HOW DOES 3-D SECURE SOLVE FOR SCA?

The SCA requirement means that electronic payment services must be carried out in a secure manner, adopting technologies to guarantee the safe authentication of the user and to reduce the risk of fraud.

Something only the customer has can be a mobile device or a token generator. Something only the customer knows can be a passcode. Something only the customer is can be a fingerprint, facial scan, iris scan or voice recognition.



What are you doing to make sure you are in compliance?

Using Cardinal Consumer Authentication as your 3-D Secure solution fulfills the SCA requirements of PSD2.

How Cardinal Consumer Authentication Helps Merchants

In addition to helping merchants comply with PSD2-SCA regulations, the various country-specific mandates, as well as staying off the Visa fraud monitoring list (the excessive chargeback program), Cardinal Consumer Authentication helps merchants:

- Increases sales by reducing fraud, manual review, merchant reversals and false declines.
- Reduces overhead for manual review, chargeback fees, labor, fraud and re-presentment tools.
- Offers a portal and reporting tool, to manage rules in near-real time.
- Provides ecosystem monitoring to provide merchants with knowledge of how BINs perform during authentication.
- Can reduce authentication speed to less than one second in some cases.

How Cardinal Consumer Authentication with 3DS is better

- Protocol routing between 3DS 1.0 and 2.0. Cardinal can determine which version of 3DS the issuer is using, and can route the transaction to benefit the merchant.
- The power of the data: using the data Cardinal can access, gives merchants and issuers confidence to authenticate -- and authorize -- transactions for more sales and less fraud and false declines.
- EMV 3DS will be updated annually (or more often), and will require re-certification every two years. That means that if a merchant or issuer wants to build their own system, they will need to maintain and upgrade it often. Cardinal has you covered.
- By using Cardinal, merchants can take advantage of their technology and authentication experience, including high uptime, hosting redundancy and business continuity solutions.
- Cardinal is the first global provider to be certified for four 3-D Secure components: Access Control Server (for issuers), 3DS Server (for merchants), and two 3DS SDKs for in-app delivery for iOS and Android operating systems.
- Cardinal focuses, innovates and delivers. We have done digital authentication since 1999, and have provided award-winning and industry-leading solutions to merchants and issuers for almost 20 years.

HOW YOU CAN MANAGE SCA EXEMPTIONS

Cardinal and Visa have tools so you can manage SCA exemptions. Here are some examples:

- **What is the transaction amount?** This allows the merchant to apply transaction risk analysis (TRA) on low-value transactions;
- **What is the BIN?** This can identify the card issuer's country, and whether the transaction is "one-leg-out" and out of scope, or to identify the issuer and whether the issuer is using 3DS 1.0 or 2.0, so the transaction can be routed appropriately;
- **Is the IP address of the consumer on a black list?** If yes, the rule can force SCA instead of TRA only;
- **Is the transaction part of a series of recurring transactions?** This requires SCA on the first transaction, but not on subsequent transactions of the same amount to the same merchant.

SCA is required for all transactions except where there is an exemption (such as TRA or low value transactions) or where the transaction is out of scope.¹

WHAT DO THESE DEADLINES MEAN TO YOU



PSD2-SCA REQUIREMENT TIMELINE

NEXT STEPS

If your online store is based in AND sells to consumers in the European Economic Area (EEA), you need to prepare NOW for PSD2 SCA, which will be required by **September 14, 2019** (and in April for Mastercard transactions).

Cardinal is one of the only providers who supports both issuers and merchants with a 3-D Secure solution. Partnering with Cardinal enables sharing of enriched merchant, consumer and device data with issuers, plus our intelligence and analysis, for better and faster risk decisioning because of Cardinal's reach with issuers around the globe.

For more information about SCA, visit
CardinalCommerce.com/PSD2SCA

¹ UK Authentication Steering Group SCA Whitepaper, Version 4.0, p 18

ABOUT CARDINALCOMMERCE

Cardinal is a global leader in authentication for Card-Not-Present transactions and has been working with merchants and issuers for two decades to solve their authentication challenges. Cardinal is a wholly-owned subsidiary of Visa.



Authentication First

Authentication is and always has been Cardinal's top priority.

Authentication First leads the defense in your arsenal of fraud-fighting tools. When transactions are authenticated before using other fraud tools and before authorization, merchants and issuers can use authentication results as inputs to the other processes, for better results.

Cardinal is one of the only providers who supports both issuers and merchants with a 3-D Secure authentication solution. Partnering with Cardinal enables sharing of enriched merchant, consumer and device data with issuers for better and faster risk decisioning because of Cardinal's reach with issuers around the globe.

CARDINAL FOCUSES on consumer authentication. We've been "Authentication First" since the early 2000s, with our network of intelligence and rich data. The results are reduced fraud, limited false declines and more good orders for merchants and issuers.

CARDINAL INNOVATES to improve the integration experience, based on thousands of implementations to our solutions. We introduce new capabilities regularly.

CARDINAL DELIVERS. We deploy our technology for 3DS through a suite of integration options tailored to the needs of our customers. We deliver with our infrastructure so we are ready for whatever our customers need to authenticate their transactions: capacity planning, systems redundancy, authentication speed, ecosystem monitoring, customer support, cybersecurity and physical security.

Complying with PSD2-SCA is complicated. Since PSD2-SCA is mission-critical, you need a provider that knows how to authenticate, how to secure transactions, and how to plan for security, redundancy, capacity spikes and maximum uptime.

Choose CardinalCommerce to help you implement your 3DS solution. We have it figured out and we have you covered.

Complying with PSD2 is complicated.

Choose CardinalCommerce to help you implement your 3DS solution.

AUTHENTICATION FIRST: WE FOCUS, WE INNOVATE, WE DELIVER

Call (877) 352-8444 or Visit cardinalcommerce.com