



## **Visa Bulletin for Mercatel**

PSD2 SCA – Preparing for September 14 and beyond

12 September 2019



Welcome to Visa's first edition of Merchant Bulletin. This document is designed to help you navigate the latest developments surrounding Payment Service Directive (PSD2) Strong Customer Authentication (SCA) and what you will need to do to avoid disruption for your customers.

Visa has collaborated with the industry to recommend an 18-month transition period across all member states, which would provide sufficient time for all parties to make the necessary technical changes. Any additional time beyond 14 September 2019 to get ready will depend on the position of the European Banking Authority (EBA) and your local regulator(s).

The SCA requirement comes into force from 14 September 2019. The EBA has accepted that local regulators may decide to work with PSPs and other stakeholders, and provide a transition period that allows more time for all parties to be ready. A growing number of local regulators have publicly stated that SCA compliance will not be enforced on 14 September 2019.

We understand your number one priority is to be able to sell to your customers with a seamless purchasing experience. Visa is working with clients and regulators to ensure the industry moves in the right direction and have revised the requirements to ensure all clients are ready.

## What happens after the 14<sup>th</sup> September?

Clients may decide to continue authorising transactions in the same way they do today after 14 September. This is to avoid disruption to e-commerce and European payments.

- Meanwhile, as issuers start testing the technology for SCA, merchants should also begin implementing the technology to avoid disruption. Doing so will also help them to establish which of the SCA exemptions work best for their customers.
- Visa has created an 18-month roadmap to accelerate the ecosystem with key milestones all clients need to achieve (subject to the 18-month transition period being adopted by the EBA and your local regulator(s)).
  - **1<sup>st</sup> Feb 2020** – Visa EMV 3DS performance programme starts.
    - Active monitoring on Visa's clients begins to ensure they are meeting Visa's Performance rules.
  - **14<sup>th</sup> March 2020** – issuers fully live with EMV 3DS 2.1 and merchants actively testing EMV 3DS 2.1 and 2.2.
  - **14<sup>th</sup> September 2020** – issuers to be live on 3DS 2.2.
  - **14<sup>th</sup> March 2021** – active supervision issuers decline.

## What is EMV 3DS? How is it different from 3-D Secure 1.0?

EMV 3DS (previously referred to as 3DS 2.0) is the updated standard of 3DS 1.0 and is in place to promote a good e-commerce customer experience and help reduce cart abandonment. EMV 3DS provides the following incremental benefits:

- **Flexible Device & Channel Support.** Promotes a smoother and more consistent user-experience across multiple payment channels, including mobile web, in-app, and digital wallet payments.
- **Improved User Experience.** Gives merchants the capability to better integrate the authentication process into the shopping experience, providing cardholders with a fast, simple, and convenient authentication experience, while maintaining security.
- **Enhanced Data Exchange to Manage Fraud and Reduce Friction.** Opens additional data fields to enable enhanced risk-based authentication (RBA). When used effectively, risk-based authentication can provide protection against fraud, minimize cardholder friction, increase completed sales, and lead to a better experience for all stakeholders.

### 3DS 1.0



- Basic two factor authentication.

### EMV 3DS 2.1



- Enabling greater fraud prevention thanks to 10x more data to share with Issuers for better risk analysis.
- Improved user experience and omni-channel payment experience functionality.

### EMV 3DS 2.2



- Providing a seamless payment experience which allows full usage of SCA exemptions such as transaction risk analysis and trusted beneficiaries.
- Smooth merchant app to issuer app authentication experience.



## What Merchants need to do next?

- We advise merchants to integrate a 3DS solution that supports both 3DS 1.0 and EMV 3DS whilst also keeping pace with PSD2 SCA compliance.
- Merchants should work with their 3DS Solution Providers to establish dynamic backward capability between 3DS 1.0 and EMV 3DS based on the 3DS version the issuer supports currently.
  - This will ensure merchants have an optimized EMV 3DS adoption strategy with a smooth pragmatic transition to EMV 3DS.
- Merchants should read through the below bulletin and understand the changes that are being made to Visa's 3DS Roadmap.

## What the changes mean for Merchants

To ensure a better customer experience and frictionless transactions, these changes are positive contribution to merchants and the payments ecosystem. Merchants will benefit from these changes as a result of:

- Issuers being held accountable for non-deployment of EMV 3DS 2.1.0 by March 2020 and EMV 3DS 2.2.0 by 14th September 2020.
- High standard approval and fraud liability protection for merchants on fully authenticated (ECI 5) EMV 3DS transactions. Effective immediately until 14 March 2020, merchants should not send EMV 3DS requests to avoid issuers authorisation decline.
- Supporting transactions across a range of user interfaces (mobile apps) and devices to develop a streamlined user experience.
- Lower abandonment rates with 3D Secure, providing consumer confidence and successful sales.
- Enabling greater fraud prevention thanks to 10x more data to share with Issuers for a better risk analysis



## How is Visa supporting you to navigate these changes?

Visa is committed to supporting SCA and will continue to work with regulators and clients to achieve the key milestones outlined on the changes to our rules and compliance. To ensure merchants are kept abreast with the changes and requirements, Visa is creating a number of platforms to convey the messages:

- **Merchant Bulletin** – this is our first edition to communicate and update merchants with important changes. Within these bulletins we will provide you with all the essential information which you and your acquirers/payment gateways will need to know to support with the deployment of EMV 3DS and SCA compliance.
- **Merchant Marketing Guidebook** – Visa has created a comprehensive marketing communications guidebook to support your business prepare for the Europe-wide rollout of SCA. The guidebook contains advice and communications to help your business and staff prepare for the changes. It also contains materials to help merchants raise awareness to consumers from website to in-store transactions. To receive your copy, contact your Account Executive or your acquirer(s).
- **Visa Business News** – the changes to 3-D Secure rules to support Strong Customer Authentication compliance was announced on the 5th September to Visa 's European clients.
- **PSD2 SCA Webinars** - Visa will be hosting a series of PSD2 SCA webinars to provide the latest status updates, and address questions from attendees. To secure your place for the upcoming webinar, click the link below and register:

**12th September:** [PSD2 SCA – Preparing for September 14 and beyond \(Session 2\)](#)



## Shaping the ecosystem to accelerate SCA Compliance and meet Regulatory Requirements

### What are the changes?

Visa has collaborated with the industry to recommend an 18-month transition period across all member states, which would provide sufficient time for all parties to make the necessary technical changes. The EBA is expected to provide further guidance on the acceptable duration of this transition period in the coming weeks.

To help move the e-commerce ecosystem to full SCA compliance, Visa is making some important changes to help accelerate deployment of new 3DS technology. EMV® 3DS 2.2.0 provides key functionality which underpins the move to biometrics, the ability to take advantage of SCA exemptions and accommodates the delivery of a cryptogram in complex merchant use cases such as travel. All issuers, acquirers and merchants are expected to implement 3DS 2.2.0 by 14 September 2020.

The revised PSD2 requirement that SCA be applied to all electronic payments will take effect in Europe on **14 September 2019**. The EBA has accepted that local regulators may decide to work with PSPs and other stakeholders, and provide a transition period that allows more time for all parties to be ready

For optimal SCA compliance, Visa expects all parties in the ecosystem to deploy 3DS 2.2.0. The move to EMV 3DS 2.2.0 is critical for important SCA functions, namely:

- 3DS Requestor Initiated (3RI) transactions, or the ability to refresh the Cardholder Authentication Verification Value (CAVV) cryptogram, which is vital for travel merchants.
- The Out-of-Band (OOB) consumer experience, which delivers biometric functionality.
- Indicator flags in the request message, which enable merchants to communicate SCA exemption requests to issuers.

To achieve full compliance within the recommended 18-month transition period and ensure sufficient time for testing and deployment to merchants, Visa is making some important changes to the Visa Rules.



## Overview of Changes

Enablement of EMV 3DS 2.2.0 across the ecosystem is an important step in achieving SCA regulatory compliance. Visa recognizes that all parties are moving at pace to implement the new 3DS versions. To help further those efforts, Visa is implementing a technology roadmap to help ensure smooth industry-wide deployment of EMV 3DS.

## EMV 3DS 2.1.0 Issuer Requirements

Issuer deployment of EMV 3DS 2.1.0 is a key step in the process to upgrade to EMV 3DS 2.2.0. Therefore, issuers must support EMV 3DS 2.1.0 **by 14 March 2020**, in line with Visa's proposed SCA roadmap. This is an important step that enables merchants to authenticate transactions securely using the new technology.

## EMV 3DS 2.1.0 Merchant Liability Protection

To support the intentions of the regulation to reduce fraud and demonstrate to regulators that progress is being made, merchants are strongly advised to use the version of 3DS supported by the issuer.

Considerations for the merchant community include the following:-

- In the transition period running up to the enforcement date for SCA, Issuers and Acquirers are aiming to ensure their reference fraud rates qualify for SCA TRA (Transaction Risk Analysis) exemptions.
- With this in mind, Issuers are reviewing risk management strategies to ensure a balance between consumer convenience and risk. High risk transactions including those where the Issuer is liable will be subject to greater scrutiny
- All parties in the ecosystem wish to ensure cardholders are not subjected to high declines or other forms of inconvenience resulting from upcoming changes in the regulation
- The industry is moving towards wide adoption of EMV 3DS and Visa expects many large Issuers to be live in the coming weeks and months
- Merchants who have invested and are able to take advantage of EMV 3DS will start to see the benefits



**Effective immediately** and up until 14 March 2020, merchants will receive fraud liability protection under the Visa Rules<sup>1</sup> on fully authenticated EMV 3DS transactions. Merchants will not be able to send EMV 3DS requests to European issuers who do not support EMV 3DS. These merchants should send 3DS 1.0 requests or process as ECI 7 non-authenticated transactions.

**Effective 14 March 2020**, merchants will receive fraud liability protection under the Visa Rules on both EMV 3DS authenticated transactions and on EMV 3DS attempted authentication transactions, when European issuers are not live on EMV 3DS. At this point, all European issuers are expected to be able to respond with an EMV 3DS authentication response.

3DS Version Post 14 March 2020	Issuer 3DS 1.0	Issuer 3DS 2.1.0 or 3DS 2.2.0
Merchant 3DS 1.0	Issuer liable	Not applicable
Merchant 3DS 2.1.0 or 3DS 2.2.0	Issuer liable <sup>1</sup>	Issuer liable

<sup>1</sup> Authentication is routed to the EMV 3DS Visa Attempts server

Merchants will continue to receive fraud liability protection on 3DS 1.0 transactions on European issued cards.

## EMV 3DS 2.2.0 Issuer Requirements

EMV 3DS 2.2.0 provides key functionality which underpins the move to biometrics, the ability to better use SCA exemptions, accommodates the delivery of a cryptogram in complex merchant use cases such as travel and also promotes a better customer experience. **By 14 September 2020 all issuers must support EMV 3DS 2.2.0.**

These important changes are a necessary step to provide confidence to regulators that progress is being made. Visa will continue to work with the industry to establish milestones that provide the necessary assurance to regulators that SCA compliance will be achieved upon completion of the transition period.

Effective 1 February 2020, Visa will introduce EMV 3DS and SCA Performance programs to ensure that issuers, acquirers and merchants maintain high standards of service in their authentication and authorization systems and to verify that mandates for EMV 3DS 2.1 and EMV 3DS 2.2 are met. Further details on these programs will be announced in an upcoming bulletin

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<sup>1</sup> References in this document to liability under the Visa Rules, do not affect the liability of any party under PSD2 or any other regulatory or legal requirements.