PSD2 SCA will change the payments industry in the European Economic Area (EEA) for a long time to come. It's important to understand not only what is happening, but more importantly, why you should update to EMV 3-D Secure as soon as possible to meet upcoming government and regional mandates. This paper will walk you through what you need to know and why it's important to act now.

Quick review of the basics.

First, what are PSD2 and SCA?

PSD2 is the European Banking Authority's (EBA) 2nd Payment Service Directive, designed to drive payment innovation and data security. PSD2 has a requirement for Strong Customer Authentication (SCA). The goal for the PSD2 SCA requirement is to reduce fraud and ensure that issuers and merchants in the EEA are validating all electronic payments. SCA requirements mean that digital transactions need strong two-factor authentication with at least two of these three criteria:

Something only the customer *HAS*, for possession

Something only the customer *KNOWS*, for knowledge

Something only the customer *IS*, for inherence

What does this mean?

Quite simply – you'll need to support EMV 3-D Secure in order to ask for exemptions, or the issuer will need to apply SCA when necessary. Here's where EMV 3-D Secure comes in to play. It helps to solve for the issuer's delivery of SCA to the cardholder. Read on.

What is EMV 3-D Secure?

3-D Secure is a set of protocols that authenticates Card-Not-Present transactions. Benefits include helping to reduce fraud and false declines and increase good orders, while at the same time limiting friction for consumers during checkout.

EMV 3-D Secure, the updated version of the protocols, enables merchants and issuers to use what they know about their mutual consumers and work together to make better risk decisions. It uses more than a hundred data points from the merchant, the device, and the transaction. For instance, the issuer can compare the device being used for the transaction with devices they recognize from logging into online banking. The issuer can compare these data with what they know about the consumer to make more confident risk decisions. And unlike a traditional fraud tool, 3-D Secure doesn't reject orders. It allows the merchant or the issuer to try to potentially save sales, by allowing a challenge to the consumer to provide more information to the issuer. The result is more good orders and more happy buyers.

How does EMV 3-D Secure help to solve for SCA?

The SCA requirement means that the electronic payment service must be secure, guarantee that the buyer is authenticated safely, and that the risk of fraud is reduced. 3-D Secure helps with this by supporting the requirements of SCA as mentioned above.

Why should you use EMV 3-D Secure to help solve for SCA now?

Government and regional mandates are happening throughout 2020 and into 2021. Some have already been activated, others are right around the corner. But one of the biggest ones will happen at the end of 2020 and it's important to prepare early so your business is not impacted. We will talk later about specific dates, but let's review the process of implementing EMV 3-D Secure and why it's important to do it as soon as possible.
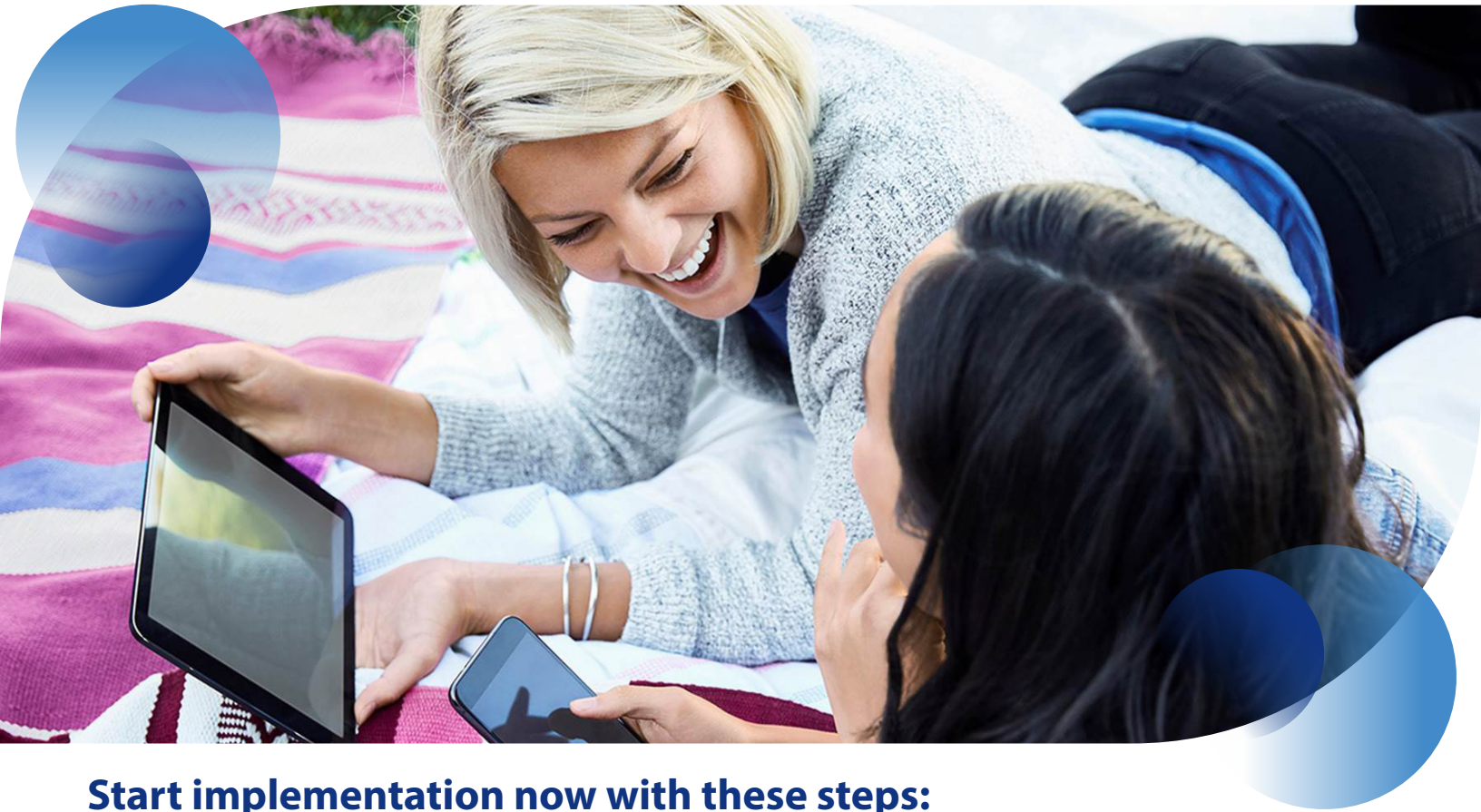
Start implementation now with these steps:

Step 1: We work with you. The Cardinal team will support your implementation to make sure everyone is on board and ready. This can range anywhere from 2-3 weeks to 6-10 months, depending on your readiness.

Step 2: Compatibility and registration process. This is where a merchant is registered with the Network Directory Servers to activate your 3DS program.

Step 3: On-going education and integration. This step is highly coordinated and involves Cardinal 3DS test cases, acquirer certification, internal testing and a "soft launch" with family and friends.

Step 4: Reporting. This step includes access to Cardinal reporting tools, report delivery and user access to Cardinal reporting. In our online portal, you'll be able to see transaction level details and a transaction summary page.

Step 5: Support and Escalation. Cardinal provides 24/7 service. This is the point of setting up users, ticket generation and prioritization, determining points of contact and generating engagement statistics.

It boils down to this. Mandates will affect your business so it's important to act now. Depending on your acquirer's readiness and your resources, the process can take as little or long as you can take to complete it.

Having said that, sometimes there can be an occasional bump in the road. You don't want to be scrambling at the last minute trying to implement EMV 3-D Secure to meet the government mandates that apply to you and run into a snag.

Finally, the sooner you implement, the sooner you can get back to what's most important - your business.

2020 Q3

July 1, 2020: **Mastercard** requires all acquirers and issuers in the EEA support EMV 3DS v2.1 and the message extension fields by July 1, 2020.

September 14, 2020: **Visa** requires all EU issuers to deploy and support EMV 3DS 2.2

October 16, 2020: **Visa** requires acquirers to ensure all gateways and 3DS Server vendors who provide services to their merchants have certified and implemented EMV 3DS 2.2

2020 Q4

October 17, 2020: **Visa** will enforce issuer use of cryptogram (CAVV) version 7 on all EMV 3DS authentication responses

December 31, 2020: PSD2's SCA requirement will begin to be enforced in most EEA countries

September 14, 2021: PSD2 SCA will be enforced in the UK

2021 Q3

2021 Q4

October 17, 2021: Fraud liability protection for merchants submitting transactions using Visa Secure with 3-D Secure 1.0.2 will no longer apply

Here's some key date and what they mean to you.

- **December 31, 2020:** PSD2's SCA requirement will begin to be enforced in most EEA countries. This means that for all digital transactions (except those that qualify for exemptions, are one-leg-out or out of scope), issuers, acquirers, and merchants need to be ready for the SCA requirements, or transactions may be at risk of being declined.

- **September 14, 2021:** The UK will enforce SCA. There will be active supervision, and issuers are expected to decline transactions without SCA, an exemption, or being one-leg-out or out of scope.

Why choose Cardinal to help you meet your PSD2 SCA needs now?

You have choices, we know that. We have experience. Over two decades of experience. And experience matters! Our focus is and has always been consumer authentication. You need an authentication provider you can count on and you can count on us. Here's why:

- The power of using data: Using the data we can access gives you the confidence to authenticate – and authorize – transactions, for more sales, and help to lower false declines and fraud.

- EMV 3DS will be updated periodically and will require re-certification whenever that happens. If you decide to build your own system, you'll need to maintain it and upgrade it whenever a new version is released. We take care of that, so you don't have to worry about it.

- When you use Cardinal, you can take advantage of our technology and authentication experience, including high uptime, hosting redundancy and business continuity solutions.

- We were the first to be certified by EMVCo, LLC, for four 3-D Secure components: Access Control Server (ACS) for issuers, 3DS Server for merchants, and two 3DS Software Development Kits (SDKs) for in-app delivery for iOS and Android operating systems.

- We have been doing authentication for more than two decades, with award-winning and industry-leading solutions for merchants and issuers. It's what we do.

As a bonus, Cardinal is a **Visa** company. You can take advantage of our combined expertise. You'll get industry strength and Visa's suite of other risk solutions, plus Cardinal's two decades of experience in payment authentication. This brings added security to digital transactions, while helping to reduce fraud and support digital commerce. Visa and Cardinal offer all of our intelligence – combining merchant and issuer data. With Cardinal, everybody wins. At the end of the day, we help reduce fraud, limit false declines and pass more good orders for merchants and issuers.

The time to update to EMV 3-D Secure is now. The Cardinal team is who you want on your side. Whether you are required by government mandate or just want to help reduce fraud, increase good orders, and limit false declines, now is the time to act. And did you know? Cardinal can also help outside of the EEA. We also help merchants comply with various government and regional mandates as well as SCA.

We know you have a lot of choices.

Choose experience, choose Cardinal.

We do 3DS right.

Visit: cardinalcommerce.com
Call: +1.877.352.8444
Email: info@cardinalcommerce.com

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