NEXT LEVEL SECURITY: PSD2 SCA

As directed by the European Banking Authority (EBA), with the exception of the UK, from 1st January 2021 **Strong Customer Authentication (SCA) will be mandatory for contactless and electronic payments made within the European Economic Area. For the UK, enforcement will come into effect beginning on** 14 September 2021. **To avoid future requests for payment authorisations being declined, these deadlines must be met by any business accepting or processing payments.**

WHAT IS SCA AND 2FA?

Strong Customer Authentication (SCA) is a legal requirement defined in the Payment Services Directive version 2 designed to help protect consumer accounts and reduce payment fraud. Customers making purchases will need to provide additional forms of identification, a process known as Two-Factor Authentication (2FA). SCA requires authentication to use at least two of the following three elements:

- **Something you know** (ex. Password or PIN)
- **Something you have** (ex. One-time password sent to your mobile device)
- **Something you are** (ex. Fingerprint or face recognition)
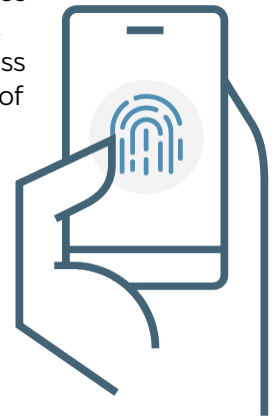
ARE ALL MY SALES TRANSACTIONS AFFECTED?

Whilst the new legislation identifies certain transactions as exempt from these new rules, changes to the way in which exemptions will be treated, may lead to a request for additional authentication which if not satisfied, will be declined. Contactless payments, online commerce and Merchant Initiated Transactions such as those that use card information stored 'on-file' are all within scope.

WHAT ARE THE CONSEQUENCES IF I DO NOTHING?

After the deadline has passed, acquirers and issuers are required to decline any request for payment authorisation that cannot be authenticated unless, the transaction is officially recognised as exempt from two factor authentication. Any transaction that is intended to benefit from an exemption must be presented in accordance with revised technical standards. This may also include customer card details you may hold on file.

Merchants who have not implemented SCA compliant systems will potentially experience a reduction in revenue as a consequence of declined transactions as well as the increased possibility of online shopping cart abandonment arising from inevitable friction in the payment process if mitigating steps are not taken.

AS A MERCHANT, WHAT DO I NEED TO DO?

By implementing SCA compliant payment solutions such as those provided by FreedomPay, you can eliminate all but legitimate reasons to decline a transaction.

One in every five contactless transactions or every cumulative €150 spent without authentication – as determined by the card issuer - will result in a request for 2FA. FreedomPay's point of sale contactless solutions meet SCA requirements by requesting PIN entry when what is commonly referred to as a 'step-up authentication' is requested.

For eCommerce transactions, the major card schemes have mandated the use of EMV 3D Secure V2.x which is not only designed to capture the data needed for 2FA but which has also been designed to support faster, smarter, more secure forms of authentication including biometrics. To qualify for certain transaction exemptions your acquirer may also require you to use an online fraud management service.

FreedomPay's payment solutions are integrated with a wide choice of 3D Secure and Fraud Management solutions to enable you to meet your precise business needs, ensuring the highest security with the least transaction friction. We also go further in integrating with acquirers that can offer you reduced exposure to step-up authentications based on a mutual Transaction Risk Analysis - commonly referred to as a 'TRA exemption'.

For 'card on file' payments, FreedomPay helps you by securely tokenising card data as well as storing and forwarding previously captured authentication data to support follow-on payment requests generated by your Property Management System, MOTO, ERP or other such order fulfilment and billing systems.

WHILST THE LEGISLATION APPLIES TO ALL BUSINESSES ACCEPTING AND PROCESSING ELECTRONIC PAYMENTS, IN THE HOSPITALITY AND TRAVEL SECTOR MERCHANTS ARE CONTEMPLATING SUCH QUESTIONS AS;

- **WILL WE STILL BE ABLE TO CHARGE GUESTS WHO MADE LATE CANCELLATIONS OR DIDN'T SHOW UP, USING THE CARD INFORMATION OBTAINED BY MY BOOKING AGENTS?**

- **CAN WE STILL USE CARD INFORMATION WE HOLD ON FILE TO APPLY ANY LATE CHARGES THAT DID NOT MAKE IT ONTO THE GUEST FOLIO?**

- **HOW DO I APPLY SCA TO A CORPORATE OR VIRTUAL CREDIT CARD?**

- **WHAT IF ANYTHING, CAN TRAVEL MANAGEMENT COMPANIES DO TO HELP ME?**

THE ANSWERS DEPEND ON MANY FACTORS, WHICH HAS HAD A DIRECT IMPACT ON THE PACE AT WHICH ORGANISATIONS HAVE BEEN ABLE TO PREPARE.

Many hotels have long relied upon external travel management companies (TMCs) to take reservations from guests and collect payment card information that is passed to a hotel to guarantee a booking.

In the UK, UK Finance who set UK standards for payments processing have recently published a set of guidelines and recommendations and best practices for the Hotel & Travel industry to help mitigate the impact of SCA on their business processes.

Working in conjunction with UK Finance, the Financial Conduct Authority (FCA) and major international card schemes, FreedomPay is strongly positioned to advise you on the changes you will need to consider in relation to your Property Management, Payment and Acquiring services to make them fully SCA compliant.

HOW CAN FREEDOMPAY HELP YOU MEET THESE REQUIREMENTS?

Merchants can be reassured that in working with FreedomPay we will advise you on your options to help you comply with SCA legislation and will help guide you through sector specific best business practice in mitigating the impacts of SCA.

- If you're a retailer or quick service restaurant and it's the latest SCA compliant contactless EPOS or MPOS payment solution you need, then FreedomPay's solutions come SCA ready 'out of the box'.
- If you're operating one or more shopping web sites, FreedomPay's fully integrated 3D Secure and Fraud Management solutions will enable you to ensure that any step-up authentication challenges are met and the maximum number of transactions, authorised.
- If you're operating payments based on cardholder credentials held on file, then you can be assured that FreedomPay can securely deliver the data required to meet the authentication standards.
- If you're in the Hotel & Travel sector, FreedomPay has one of the largest hotel merchant portfolios in the world and can help you configure our payment solution to your specific use cases.

FREEDOMPAY BENEFITS INCLUDE:

- **Frictionless checkout experience:**
  FreedomPay's high speed, processing network coupled with the latest authentication tools, provides simple, swift, and secure payments across all your sales channels whilst ensuring your customers experience the least possible friction in making a payment.
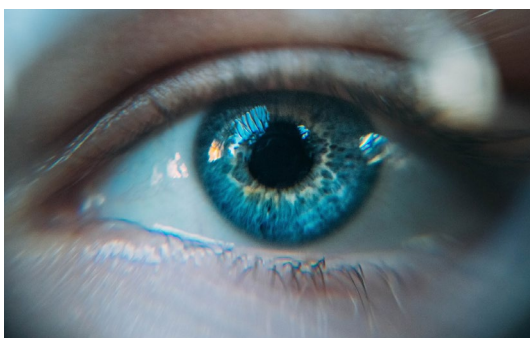- **Highest level of security:**
  In addition to PSD2 SCA, FreedomPay solutions comply with PCI P2PE, Tokenisation, GDPR, EMV 3DS and many other security standards
- **One single unified platform**
  FreedomPay's Next Level Commerce Platform transforms existing payment systems and processes from legacy to leading edge

WHERE CAN I LEARN MORE?

To learn more about the deadline extensions, please contact us below.