



SCA transition plans across Europe & industry perspectives v.3

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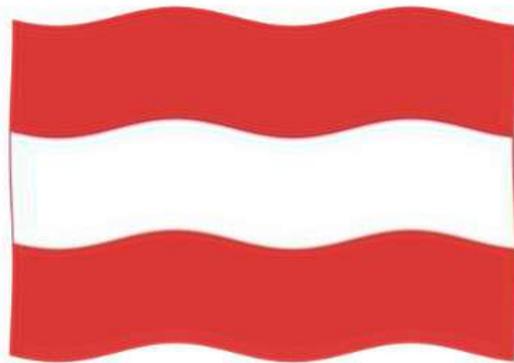


Migration Plans Across Europe and SCA milestones: September 14 & October 16

In view of the complexity of the enforcement, on June 21, 2019 the European Banking Authority (EBA) granted national Authorities the possibility to postpone the 14th September deadline in order to allow the implementation of new authentication tools by all customers, with exclusive reference to the online card payments.

This report provides the LIST of NATIONAL AUTHORITIES that used the opportunity TO POSTPONE THE SCA DEADLINE and **INTERVIEWS** with various industry stakeholders

- BEFORE the SCA implementation deadline September 14 and
- AFTER the SCA implementation deadline September 14 and **NEWLY ADDED (pages 28-33)**
- after October 16 when EBA published opinion allowing 15-month migration period



Austria

FMA (Financial Market Authority) announced on 19. August 2019 extension of the deadline for implementing strong customer authentication ('2-Factor Authentication') for e-commerce card payments to allow additional time for technical switch-over to payment service providers and trading companies

<https://www.fma.gv.at/en/fma-extends-implementation-period-for-strong-customer-authentication-for-card-payments-in-e-commerce/>



Cyprus

September 2, 2019

The CBC (Central Bank of Cyprus) granted to regulated entities (i.e. card issuers and acquirers) which currently support a non-reusable and non-replicable element for online card transactions (e.g. OTP), a limited migration period for the purpose of adequate preparations for the introduction of SCA in remote electronic card transactions. The extent of this period has not yet been determined by the EBA. In this respect, the CBC is in communication with the EBA.

Stakeholders will be informed about the migration period's duration in due course. Following this, affected card issuers and acquirers will have to draw up a detailed migration plan and submit it to the CBC.

<https://www.centralbank.cy/en/announcements/communication-to-the-payments-industry-on-strong-customer-authentication-sca-from-14-september-2019>

Italy

The Bank of Italy has decided to grant (upon request of the PSPs) an EXTENSION for a limited period, based on the maximum term that EBA will define and subsequently disclose to the market.

The intermediaries wishing to make use of the extension must submit a detailed migration plan which includes communication and customer-readiness measures, in relation to both merchants and cardholders.

https://www.bancaditalia.it/media/comunicati/documenti/2019-02/cs_stronger_authentication_06082019.pdf?language_id=1



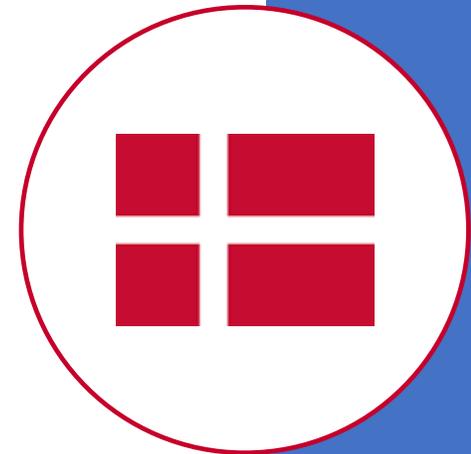
Denmark

Danish FSA (DFSA) emphasises that the EBA's opinion does not affect the deadline of 14 September 2019 for SCA compliance. Consequently, the DFSA indicates that it still expects that all Danish card issuers and acquirers comply with the SCA requirements by no later than 14 September 2019.

However, the Danish card issuers and acquirers that have implemented, or are in the process of implementing, an authentication solution based on card details (not a strong element, according to the EBA) and an OTP sent by SMS (a "something only you have" element, namely the SIM card stored in the phone) may benefit from a specific agreement with the DFSA to continue to apply such authentication solution after 14 September 2019. This requires a specific **MIGRATION plan** ensuring implementation of authentication solutions in accordance with the EBA's opinion. Such plans are subject to approval by the DFSA, and card issuers who would like to benefit from such approval are encouraged to contact the DFSA as soon as possible.

Source:

<https://www.twobirds.com/en/news/articles/2019/germany/statement-from-the-danish-fsa-regarding-sca>





Finland

FIN-FSA has on 5 September 2019 published a supervision release ([here](#)) stating that it will temporarily not impose administrative sanctions on issuers and acquirers for not authenticating cardholders in relation to online card payments.

The length of the "supervisory standstill" will be defined later this year based on consultation with the EBA and supervisory authorities of other Member States.

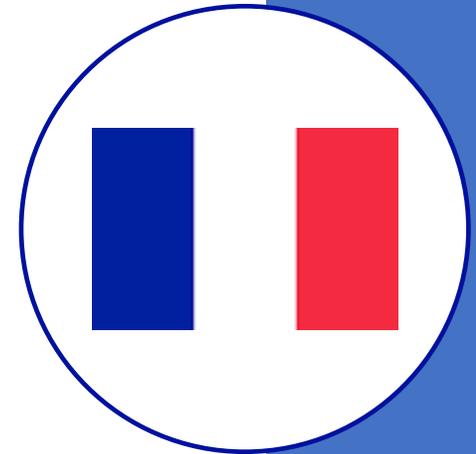
- During the course of this year, the FIN-FSA will require a migration plan from issuers and acquirers in relation to online card payments.
- The objective of the "supervisory standstill" is to ensure continuity of online card payments and to avoid unnecessary inconvenience to cardholders. The FIN-FSA points out that, despite of the "supervisory standstill", the SCA requirements do become applicable on 14 September 2019, which will impact in particular the liability shift between the cardholders and issuers, as well as between issuers and acquirers/merchants.
- The FIN-FSA also reminds issuers of the requirement to provide correct information to cardholders on the liability of each party to a payment transaction in case of misuse or fraud.

<https://www.finanssivalvonta.fi/en/publications-and-press-releases/supervision-releases/2019/financial-supervisory-authority-permits-temporary-exemptions-for-implementation-of-strong-customer-authentication-in-online-card-payments/>

France

French regulator unveiled 3 years strong authentication TRANSITION period

https://www.banque-france.fr/sites/default/files/medias/document_s/819172_osmp2018_web_v2.pdf





Germany

BaFin announces postponing SCA-rules for online credit card payments in Germany (August 21)

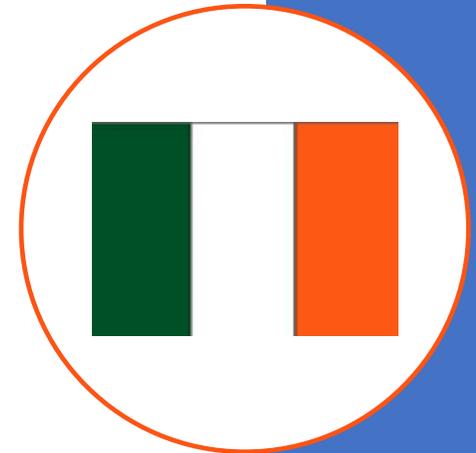
The extension will be limited in time. BaFin will determine when it will expire after consulting the market participants and coordinating with the EBA and the national European supervisory authorities.

https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Pressemitteilung/2019/pm_190821_PSD2_Kundenauthentifizierung.html;jsessionid=B74DDB6F3BB03DF3C6027A8BA09F5B7A.1_cid372

Ireland

The Central Bank of Ireland has followed the lead of the Bank of England and announced a **DELAY** to the roll out of Strong Customer Authentication (SCA) rules.

<https://www.centralbank.ie/regulation/psd2-overview>



Poland

The Polish financial supervisory authority (KNF) made an announcement on 19 August 2019, which is in line with EBA's Opinion on SCA of 21 June 2019.

KNF stated that, due to the state of unpreparedness of PSPs (i.e. issuers and acquirers) and merchants with the SCA requirements that come into effect on 14 September 2019, it will conditionally grant PSPs a regulatory holiday with regard to internet payments and contactless payments.

The framework conditions, including maximum time limits for the implementation

of the SCA solutions within the 'migration plan', will be indicated after the conclusion of the arrangements at EBA, which will take place most likely after 14 September 2019.

https://www.knf.gov.pl/knf/pl/komponenty/img/Communication_on_strong_customer_authentication_66821.pdf



Netherlands



DNB intends to allow market parties that were unable to prepare for the introduction of SCA for credit card transactions in time to have limited additional time. How much additional time will be allowed has not yet been determined.

<https://www.toezicht.dnb.nl/3/50-237794.jsp>



Spain

The Bank of Spain announced on On 11 September 2019, the **additional period to migrate to SCA.**

The Announcement also states that **issuers and acquirers need to submit migration planes,** which Bank of Spain will review before granting more time to comply. It is important to note that Bank of Spain has not specified what should be included in the migrations plans, or the maximum additional time that they would be prepared to grant. Conversations between representatives of the payments industry and the Bank of Spain are still ongoing in Spain.

https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/NotasInformativas/Briefing_notes/es/notabe110919.pdf



Sweden

The Swedish Financial Supervisory Authority (the "SFSA") confirms on September 4:

No general transition period granted in Sweden for implementation of SCA for remote card-based transactions - but with certain exceptions.

Instead issuers and acquirers can apply to the SFSA on an individual basis, and may be granted more time for compliance with SCA for card-based e-commerce transactions on a case-by-case basis. Consequently, issuers and acquirers that require additional time for their implementation should apply for such additional time to the SFSA without further delay.

<https://www.fi.se/sv/publicerat/nyheter/2019/nya-regler-om-stark-kundautentisering/>

United Kingdom

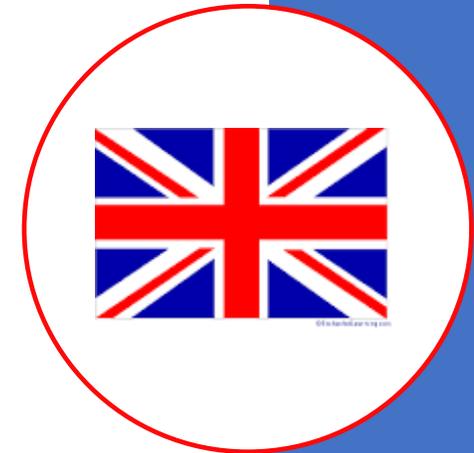
FCA, acting on behalf of the Bank of England, has drawn up an alternative timetable for the transition.

“For online banking, the changes will be phased in from 14 September 2019 and completed by 14 March 2020.

For online shopping, we have agreed a plan with the e-commerce industry of card issuers, payments firms and online retailers that gives them 18 months up to March 2021 to implement SCA. This reflects the position agreed with the European Banking Authority and other EU regulators that, given the complexity of SCA requirements, the lack of industry preparedness, and the potential of significant disruption for consumers, industry needed more time.

At the end of the 18-month period, we expect all firms to have made the necessary changes and testing to apply SCA.”

<https://www.fca.org.uk/consumers/strong-customer-authentication>



**INDUSTRY
PERSPECTIVES**

**SCA CHALLENGES
BEFORE
September 14**

**Feedback from Various Industry
stakeholders :**

**What are the Challenges connected
with SCA implementation deadline
before September 14?**

Industry perspectives before September 14 Transition was demanded also by various stakeholders at a European level

EPIF - European Payment Institutions Federation

- EPIF, an association founded in 2011 in response to the adoption of the Payment Services Directive (PSD), welcomed the EBA's 21 June statement on NCAs granting "a degree of flexibility in the practical implementation of SCA requirements".
- But EPIF says that "migration towards SCA requires significant changes for all participants in the payments industry and they would need sufficient time to implement resilient systems that comply with the new requirements".
- Looking ahead, EPIF said in a statement on 1 August: "We would like to stress that it is important that NCAs align on industry readiness with an agreed Europe-wide roadmap. We believe the payment ecosystem needs a transition period of at least 18 months and perhaps longer for certain sectors and in clearly defined use-cases, with key milestones and clear and consistent metrics."
- EPIF's statement was co-signed by organisations including corporates such as Visa and MasterCard, and lobby group EuroCommerce. This coalition is calling on the EBA "to reach a consensus on a common European roadmap and a common European deadline before the 14 September".

Industry perspectives before September 14: Transition was also demanded by Merchants

Andrew Cregan, BRC: „*We are calling on the FCA to deliver a managed roll-out of SCA in the UK involving a two-year enforcement moratorium, or non-active supervisory period, that provides the breathing space to ensure readiness across a range of metrics set out below. A review should then be carried-out three to six months prior to active enforcement, reporting progress against these readiness metrics and defining whether further time is needed. A managed rollout period will have no negative impact on security and avoid a situation in which the opportunity for fraud is increased by the confused scramble to meet the September deadline.*“

INDUSTRY PERSPECTIVES

**SCA AFTER
September 14**

MPE* asked various Industry stakeholders after September 14 to provide their feedback:

Do you think the industry is heading out of PSD2 & SCA chaos after Sept14?"

* MPE is the Europe's Largest conference & exhibition and discussion platform for merchants, acquirers, PSPs, and Point of Sale vendors, established companies as well as start-ups, fintech, regtech and paytech and everyone in between. <https://www.merchantpaymentsecosystem.com>

Is the industry heading out of PSD2 & SCA chaos after Sept14?"

Gary Munro,
Principal
Consultant,
Consult Hyperion

"Clearly if the status quo was acceptable then the EBA and national Competent Authorities would not have felt the need to delay the effective date – so we can be reasonably certain that many actors in the online payments ecosystem are not ready. Indeed the eighteen month delay granted in most countries suggests that there is a lot of work still to do. In particular we would note a lack of consistent communication to consumers and a general failure to prepare merchants for the impact of SCA in ecommerce posed a significant threat to the stability of payments across the EU had the original deadline been held to."

Moving forward the additional time needs to be used to ensure all parties in the payments ecosystem are properly prepared and to develop standards for SCA that are consistent across banks and payment processors. A free-for-all where different banks provide wildly different authentication journeys, sometimes to the same consumer for different functions, will benefit no one other than criminal actors seeking to take advantage of confusion while stymieing the push for innovation that drove the introduction of PSD2 in the first place."

So what happens during the next 18 months? Some players already have their SCA solutions in place and operational, others are sending out customer communications advising them of the imminent changes to the authorisation process. Is there an advantage to these "early adopters", or will the additional authentication steps really mean a drop in convergence and consumers switching to cards without SCA? One would like to think that the SCA enabled players, who have a good process and informed customers will benefit in much the same way as the early EMV adopters, as fraud migrates to the players who are late to implement. It will certainly be interesting to watch the progress as the industry comes to terms with SCA."

Is the industry heading out of PSD2 & SCA
chaos after Sept14?”

Ron van Wezel,
Senior analyst,
Aite Group

„In my opinion, the EBA’s decision to allow national regulators to phase in SCA and avoid a big bang scenario was a wise one. This will give stakeholders time to transition to the new situation.

Unfortunately there is no central governance for the SCA migration on a Pan-European basis. That means that merchants and their PSPs have to deal with different country migration plans and implementation speeds. This might create some turbulence, but I won’t expect chaos.“

Is the industry heading out of PSD2 & SCA chaos after Sept14?

Nicolas Adolph,
Chairman,
EPSM

"In general, PSD2-SCA compliance according to the strict EBA definitions poses significant operational challenges for all market participants. Due to the expected European wide general regulatory delay for online card transactions, the disruptions in the next months for these transactions seem to manageable.

But for 2020, 2021, and 2022, significant challenges will be ahead, mainly relating to the industry wide effective and reliable implementation of EMV 3DS 2.1. (possibly with message extensions) and 2.2. at the IT of merchants, technical PSPs, and acquirers. Looking to the national regulators, we still support a European wide delay of 18 to 36 months, as indicated in our press release [from 10 July 2019](#), to avoid unnecessary operational risks and payment rejections"

Is the industry heading out of PSD2 & SCA chaos after Sept14?

Ruca Sousa
Marques, CEO,
Switch

"I see lots of similarities between SCA and the Single Euro Payments Area (SEPA) ISO 20020 implementation a couple years ago. Enforcing any standard in more than 4000 financial institutions across 36 countries is a massive endeavour, especially when it requires significant investment in critical infrastructure updates.

Regardless of its necessity, structure or applicability, enforcing any piece of legislation in a complex ecosystem like the payments industry leads to a natural ambiguity of the requirements, which will inevitably result in extensions on implementation deadlines. This was the case with the SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD) schemes, and I expect the same to happen to SCA."

Is the industry heading out of PSD2 & SCA chaos after Sept14?

Eliad Saporta,
CEO,
Coriunder

"I believe the chaos hasn't started yet, although the due date has passed, significant number of countries announced a delay in implementation.

We have advised all our clients to run a PSD2/SCA impact analyses to understand better how the change will effect their current approval ratios and payment flows, as part of our ongoing work with our PSPs we are recommending them to work with an MPI provider directly rather than relay on their partners and with doing so have a seamless payment flow regardless of who is the acquirer that the transaction be routed to.

You would expect that Acquirers would issue their partners and merchants their TRA approach (Transaction Risk Analysis) to give them a chance to prepare and adjust their approach with their customers – so far we have only seen notifications from some of the acquirers we work notifying our customer that an update regarding upcoming changes will come in the next few weeks."

Is the industry heading out of PSD2 & SCA chaos after Sept14?

**Paul Rodgers,
Chairman,
Vendorcom**

„The current SCA status and the role that the European Banking Authority is playing continues to place the European economy in double jeopardy - first by failing to address the issues raised in responses by the payments sector to their consultations on #SCA from August 2016 and secondly by leaving it to individual National Competent Authorities to sort out the mess that's been created. This is simply pouring fuel on the fire and places unrealistic expectations on each NCA. The fact that many NCAs are not insisting on a national consensus approach adds oxygen to the firestorm that is about to be unleashed on European merchant payments.

The absence of any public, coordinating statement from the EBA on SCA since 21st June is astounding. I can find no other way to interpret this than it being utterly shameful, negligent and insulting to the entire payments community in Europe.

The EBA's objectives are to:

- ensure effective and consistent prudential regulation and supervision across the European banking sector;*
- provide a single set of harmonised prudential rules for financial institutions throughout the EU; and*
- maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.*

On all three counts, in relation to SCA they have failed so we won't be heading out of the chaos anytime soon. The payments processing and acceptance community in Europe deserves better than an absentee banking regulator who is ignorant of the merchant payments landscape.“

16 October 2019:

**EBA published
opinion allowing
15-month
migration period**

On 16 October 2019, the European Banking Authority (**EBA**) published another Opinion on the updated Payment Services Directive (**PSD2**) and in particular its provisions on Strong Customer Authentication (**SCA**) (see [here](#)). The Opinion recommends that national competent authorities (**NCA**s) grant issuers and acquirers (**PSP**s) until 31 December 2020 (i.e. a 15-month extension) to comply with the SCA requirements for remote card-based payments, subject to compliance with certain intermediary milestones.

INDUSTRY PERSPECTIVES

**SCA AFTER
October 16**

MPE* asked various Industry stakeholders after October 16 to provide their feedback :

What now needs to happen to make the transition a success?

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Alan Moss, Head of Fintech & Payments BluSpecs

The 14th of September deadline certainly provided a sharp focus on SCA implementation for merchants and service providers alike, with a real threat of business disruption as the cliff-edge drew near. In the end, the deadline came and went without any significant problems being reported in ecommerce traffic.

Given the apparent unwillingness of the EBA to recognize the potential chaos that could ensue from a literal interpretation of its deadline, local banking regulators (or NCAs), had begun to take matters into their own hands. A series of national pronouncements followed, which seemed to vary from strict adherence to the original deadline in the case of Denmark, to a 3-year migration period set out by France.

Finally, on the 16th October, the EBA published its own opinion, effectively granting a 15-month extension, and setting out a very detailed implementation plan to be followed by issuers and acquirers/PSPs, and enforced by local regulators. This certainly adds to the confusion, given that many regulators had already communicated plans which are now at variance with the opinion of the EBA. As a result, there is still the possibility that SCA implementation is implemented according to different schedules and with varying degrees of policing in the various European nations.

On top of this, there remain some doubts about the ability of merchants to have fully compliant and working solutions in place by the revised EBA deadline: SCA is dependent on adoption of the new 3DS V2.2 specification, which will not be mandatory for issuers until September 2020, according to at least one major scheme. Testing will then be in progress right through to March 2021, so in my opinion there's little chance that all merchants will be fully SCA enabled and PSD2 compliant by the end of December 2020.

What now needs to happen to make the transition a success after October 16?

Martin
Sweeney, CEO,
Ravelin

Since the EBA published the final deadline of 31/12/2020 for SCA, your PSD2 activity may have slowed down and started to look a little dusty. It's now time to re-energise your PSD2 preparation so you are ready when changes come into effect. Make sure your out-of-scope transactions are flagged correctly and avoid making customers jump through hoops if they don't need to.

It's critical for merchants to manage their own Transaction Risk Analysis. This actually benefits payment providers, as merchants have more data to make a decision with. I also advise merchants to start collecting intelligence on how issuers are managing authentication well ahead of the deadline. This will help you to help you react to real-world actions and changes in behaviour fast.

What now needs to happen to make the transition a success after October 16?

Rik Coeckelbergs,
Independent Advisor,
Opinion Maker and
Speaker,
The Banking Scene

“What the delays of SCA have shown is not only a huge fragmentation in the payments and banking industry, but especially a need to reorganise oversight of this industry.

The main reason SCA didn't work is because the communication top-down didn't properly work towards ALL players in scope.

This will be a huge challenge for Europe towards a true uniform and secure payments landscape.”

What now needs to happen to make the transition a success after October 16?

Jeremy
Nicholds CEO,
Judopay

What now needs to happen to make the transition a success after October 16?

“The revised SCA deadline has given businesses more time to implement a successful transition - but how can they take advantage of this? I’d recommend the following:

Stay tuned in - *Keep on top of events. Stay focused on your customers and keep an eye on what regulators are planning in each of your target markets.*

Be willing to learn - *Speak to other businesses that have already made the transition and learn from their experiences.*

Communicate - *Ensure your customers are aware of the upcoming changes and that they understand what this will mean in transacting with your business. I’d also recommend equipping your support team to deal with any queries.*

Make seamlessness a priority - *SCA has not yet taken into account every type of payment flow. If your checkout process is complex start work now to ensure you’ll meet the requirements and your checkout remains as seamless as possible.”*

Ron van
Wezel, Senior
analyst, Aite
Group

“What I think needs to happen is the installation of a program management office similar to the OBIE in the UK to coordinate the implementation of SCA across the European Union. Perhaps the EBA could take the lead in this. In the absence of a centralized approach, I see several risks like different implementation speeds and country-by-country interpretation of the SCA rules. This would create problems for merchants in particular for cross-border commerce”.

What now needs to happen to make the transition a success after October 16?

**Sunil Jhamb,
Chief Executive
Officer, Newgen**

I believe it's a wise decision to postpone the SCA deadline as most of the acquirers, issuers, psps, and merchants are not ready with the technological changes required to offer SCA.

The objective is to improve the security of electronic payments while eliminating the friction for customers.

In order to achieve this, all parties involved need to fully implement and test the SCA with the suggested exemptions for a few months before they roll out to their customers. In addition, customers need to be educated in order to avoid dropouts.

The extension given is long enough for the acquirers, issuers, psps, and merchants to implement, test, migrate and educate what's needed under the SCA guideline to make this transition a success.

What now needs to happen to make the transition a success after October 16?

SCA will change online payments as we know it.

However it will take a while until the change takes full effect...



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