



Mastercard update

PSD2 SCA

Sept 7, 2021
DK Sector forum on SCA for e-commerce

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AGENDA

- **PSD2 SCA STATUS & ROAD AHEAD**
- **REGULATORY ITEMS**



PSD2 SCA - MARKET CONTEXT & STATUS

- EMV 3DS v2.1 (new security standard) is in place since before the enforcement and is performing well. At a minimum this was critical path into responding to the PSD2 RTS requirements.
- The marketplace is settling in with the PSD2 RTS requirements. Meeting with these requirements is a technical & regulatory challenge that requires a continued dialogue between the involved parties.
- A positive outcome is that the Fraud levels has drastically decreased (-45% in CNP Fraud March 20/ March 21) across Europe since the introduction of the RTS until today, which is also mentioned in the EBA report.
- All market players sees it as a foremost priority to be compliant. And much effort is made to identify network challenges and fix them in a timely manner. Technology evolves constantly and cannot be seen as static as this will ultimately increase the risk of fraud increasing again.

THE ROAD AHEAD



- From a Mastercard perspective we are working on the EMV 3DS v2.2 roadmap & security standards to be communicated very soon
- Sunset of version EMV 3DS 1.0 is scheduled for Oct 14, 2022 (announced in May 2020)
- Keep the market dialogue going and respond to specific needs/queries thru direct relationships, webinars, testing, clarifying documentation and announcements

DEFINING A POSITION ON SCA FOR IoT



- PSD2 does not address IoT specifically
- **Proposed action:** Define our position on IoT and include it in our Authentication Guide

DEFINING A POSITION ON 'BEHAVIOURAL BIOMETRICS'



- Requiring 'explicit consent' for behavioural biometrics under GDPR may negatively impact the deployment of New authentication solutions
- Debate on 'explicit consent' has resulted in a positive outcome for the UK and debate is extended to the EU
- **Proposed action:** Positively influence this debate in rest of Europe

GET A POSITION ON OUR POSITION PAPER- RESILIENCE IN CASE OF 3DS INCIDENTS



- We have shared with NCAs our Position Paper on resilience in case of 3DS incidents
- UK and France have set up resilience plans in line with our resilience framework
- Belgium and Bulgaria would in principle accept our resilience framework
- Norway – position to be confirmed
- **Proposed action:** Follow-up with specific NCAs on how to ensure business continuity



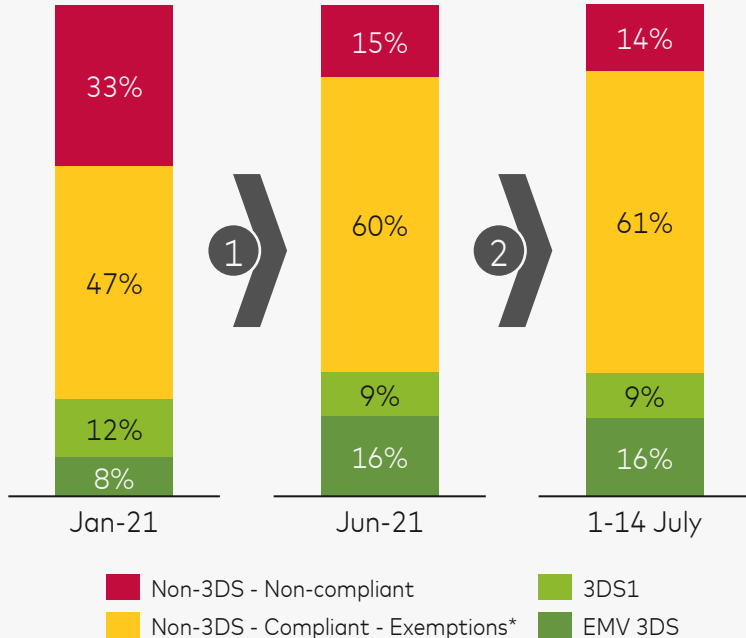


Appendix

We have made significant progress with the EEA PSD2 migration

PSD2 Compliance Status

(CNP authorizations excl. MOTO, Tokenized, MDES & non-3DS ASIs, in M)



Mid July position

- **PSD2 migration within EEA is now completed** (Ireland last country to have soft enforcement ending July 1st)
- **UK ramp-up is underway**, starting slowly as in EEA, expecting to improve performance KPIs as soft enforcement period progresses
- Share of **non-compliant transactions has further reduced (-1%) to 14%**, balanced by an increase in exempted/excluded flagged transactions
- Total share of 3DS transactions are almost the same in June and July

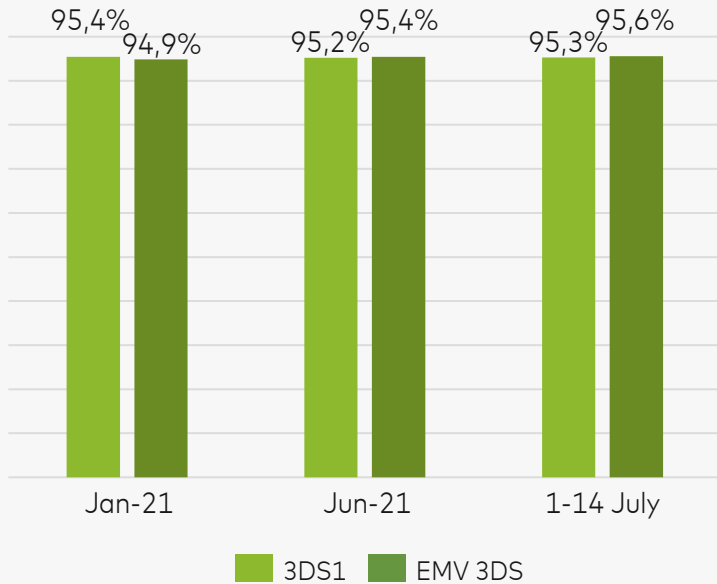
Note: Account Status Inquiries (ASIs) have been excluded as considered out of PSD2 scope resulting in reduction of non-compliant transaction share



EMV 3DS surpasses 3DS 1.0 in approval rate (including financial declines)

Authorization Approval Rate including Financial Declines

EEA + UK EMV Authorization Approval Rate(%)



Note: AAR based on fully authenticated / ACS routed transactions

Mid July position

- **EMV 3DS fully authenticated** transactions are **attracting higher financial and soft decline rates** compared to 3DS 1.0
- Some issuers are still **soft declining fully authenticated challenged authorization** requests which **is not a good behaviour**
- Some markets are giving **better approval rates** for **frictionless vs. challenged** fully authenticated authorization requests which is **not expected behavior** either
 - UK, Germany, Check Republic, Sweden





THANK YOU !