PSD2 – SCA Programme

Update on Remote Commerce
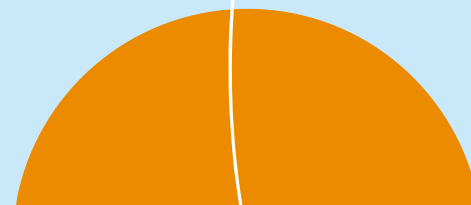
Agenda for today

1   **SCA transition period and its requirements**

2   **Activities undertaken to generate readiness for SCA:**
- *With Merchants*
- *With PSPs*

3   **Challenges encountered during SCA transition and Post-SCA**

4   **Areas for further investigation and alignment**

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Clarification on the role of Nets here today

*We are here speaking as **Nets Merchant Services (Acquirer)**, operating under the Nets Denmark A/S license*

We will discuss our experience of the SCA transition and implementation period in relation to, not just to Denmark, but also our experience in other Nordic and European countries

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Overview of the SCA transition plan

At the meeting on the **23rd October 2019**, the Danish Finanstilsynet set out its position and requirements for the Strong Customer Authentication (SCA) transition period to **31st December 2020**

From our view as an Acquirer, the key elements of the transition period for SCA included:

1. **Readiness of SCA compliant solutions across PSPs and Merchants**

2. **Merchant and PSP implementation of 3D Secure (and the relevant versions)**

3. **Wide-reaching communications and education approach to Merchants**

Nets created an SCA Programme structure ahead of the transition period, which coordinated across our 3 business regions (**Nordics, DACH, CEE)** to deliver SCA readiness

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Over the last year and longer, we have delivered the SCA message to Merchants across many channels

Nets activities towards Merchants have included:

- Dedicated SCA landing page on website with Q&A

- Blog posts on SCA topics

- Newsletter articles on SCA through our eCom and Acquiring Merchant channels

- Direct email campaigns to Merchants who are not compliant

- Open public webinars and seminars

- LinkedIn posts

- Notifications to Merchants using our App
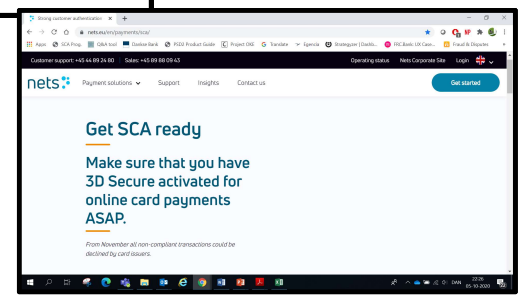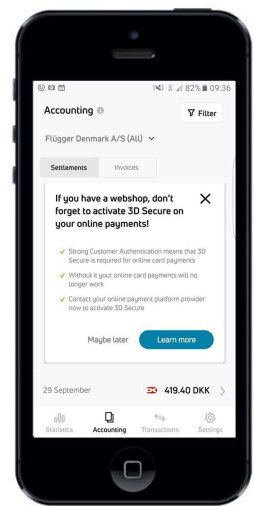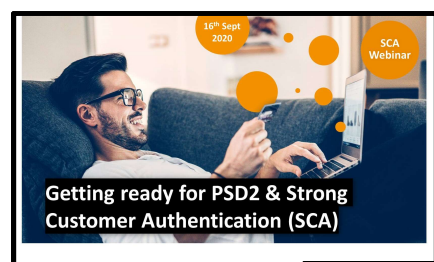
We also created a scenario-based plan where we engaged at a more direct and deeper level with Merchants and PSPs

Engagement with PSPs/Gateways:

- Survey and Communications with PSPs already completed during H1 2020

- Specialist Project Manager hired to work with 3rd Party PSPs until deadline, on SCA and Merchant readiness, EMV 3DS and SCA exemptions

- Continual dialogue with PSPs on specialist and complex use cases on SCA

Level-up engagement with Merchants:

- Direct calls to Merchants who were still not ready with SCA warning message and key actions guidance

- Key Account Managers engaged and having deeper conversations with (Large) Merchants on readiness (mostly around complex use cases, e.g. App-based payments)

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Challenges to be taken into consideration during SCA migration

Challenges identified before SCA deadline	Impact?	Current status
Merchants — Communications around SCA, the timelines, the rules, etc. were disaggregated in the market leading to confusion in pockets Different Scheme approaches to SCA protocols added pressure and workload to PSPs/Merchants COVID-19 pandemic has disproportionately impacted Merchants and the abilities for development in 2020	**Yes – small impact**	There was some initial confusion around Merchant readiness, but Acquirer side comms was quite effective Merchants in particular sectors were impacted, e.g. Travel by COVID-19
Value-chain — Acquirers are not in control of PSP and Merchant activity, and therefore the activation of 3D Secure + use case setup Acquirers (and ultimately Cardholders) are dependent on Issuer SCA methods, which could result in Merchant reluctance if SCA method is causing too much friction	**Yes – big impact**	Acquirers are reliant on PSPs to do the exact work on SCA setup for Merchants NemID changes has been a recurring challenge for Cardholders and Merchants
"Big bang" approach creates risk - migration plans are difficult to track in real time, given Merchants may only wait until "last minute" to activate protocols. And can lead to uneven industry rollout	**Yes – small impact**	Mixed outcome: many Merchants waited until the last moment to switch on 3DS, leading to some Merchants feeling it was unfair when they compare across PSPs

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There are a number of current challenges impacting Cardholders and some relating to payment system stability

Most of the "teething" problems with SCA implementations are largely resolved. Early issues related to Tokenisation, Recurring Payments and App payments.

Currently, we still see challenges with:

- Large number of customer support requests for *NemID issues* for Cardholders in Denmark

- Higher *complexity* and *sensitivity* of payment system as a result of SCA
    - Consider safeguards to national payment system stability

- *SCA exemptions* and how they are to be used / accepted for Merchants

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