



CARDINAL'S SCA Solution for PSD2

WHAT ARE PSD2 AND SCA?

The 2nd Payment Services Directive (PSD2) was established by the European Banking Authority (EBA) to drive payment innovation and data security by reducing competitive barriers, mandating new security processes and encouraging standardized technology. Although consumers will see tremendous benefit around security and data protection, issuers and merchants will face new challenges.¹

One of the new mandates within PSD2 is what is known as Strong Customer Authentication (SCA). The goal of the mandate is to ensure that fraud is reduced and merchants/issuers in the European Economic Area (EEA) are validating the consumer for all electronic payments.

3-D Secure fulfills the requirement for Strong Customer Authentication, but in so doing, introduces friction to every transaction because traditional 3DS does not support exemptions to SCA.

EMV[®] 3-D Secure (aka 3-D Secure 2.0) helps to manage exemptions for SCA, and Cardinal Consumer Authentication fulfills the SCA requirement and allows exemptions by leveraging EMV[®] 3DS. Some of these exemptions include exemptions for low value payments, whitelisted merchants, and using transaction risk analysis in some circumstances.

WHAT IS 3-D SECURE?

3-D Secure is a set of protocols that authenticates Card-Not-Present transactions. Its benefits include reducing fraud and false declines and increasing good orders, which limits friction for consumers during checkout.

3DS enables merchants and card issuers to use what each knows about their mutual consumer to make better risk decisions. 3DS 2.0 uses hundreds of data points from the issuer and from the merchant to authenticate 95%+ transactions behind the scenes, with no checkout friction for the consumer, from any device. Unlike a traditional fraud tool, 3DS does not reject orders, allowing the merchant to save sales that may appear risky. The result is more good orders and more happy buyers!

¹ PSD2 Regulatory Technical Standards, 11.27.2017

HOW DOES 3-D SECURE SOLVE FOR SCA?

The SCA requirement means that electronic payment services must be carried out in a secure manner, adopting technologies to guarantee the safe authentication of the user and to reduce the risk of fraud.

The SCA requirement is defined as having **at least two** of the following three:



Something only the customer has can be a mobile device or a token generator. Something only the customer knows can be a passcode. Something only the customer is can be a fingerprint, facial scan, iris scan or voice recognition.



**What are you doing to make sure you are in compliance?
Using Cardinal Consumer Authentication as your 3-D Secure
solution fulfills the SCA requirements of PSD2.**

How Cardinal Consumer Authentication Helps Merchants

In addition to helping merchants comply with PSD2-SCA regulations, the various country-specific mandates, as well as staying off the Visa fraud monitoring list (the excessive chargeback program), Cardinal Consumer Authentication helps merchants:

- Reduce fraud
- Increase sales by reducing merchant reversals and reducing false declines
- Reduce manual review and the associated costs, man-power, and throughput constraints
- Reduce chargeback overhead including fees, labor, fraud tools, and re-presentment tools

How Cardinal Consumer Authentication with 3DS is better

- Protocol routing between 3DS 1.0 and 2.0
- Portal and reporting tool, to manage rules in near real-time
- Ecosystem monitoring to provide merchants with knowledge of how BINs perform during authentication
- Authentication speed can be reduced to less than one second in some cases

CARDINAL CONSUMER AUTHENTICATION MANAGES SCA EXEMPTIONS

CCA's rules engine enables merchant-defined rules to manage SCA exemptions. Here are a few examples:

- What is the transaction amount? This allows the merchant to apply transaction risk analysis on low-value transactions;
- What is the BIN? This can identify the card issuer's country, and whether the transaction is "one-leg-out" and out of scope, or to identify the issuer and whether the issuer is using 3DS 1.0 or 2.0, so the transaction can be routed appropriately;
- Is the IP address of the consumer on a black list? If yes, the rule can force SCA instead of TRA only;
- Is the transaction part of a series of recurring transactions? This requires SCA on the first transaction, but not on subsequent transactions of the same amount to the same merchant.

SCA is required for all transactions except where there is an exemption, for example, TRA or low value transactions, etc.¹

NEXT STEPS

If your online store is based in and sells to consumers in the European Economic Area (EEA), you should be preparing for the SCA requirement of PSD2, which goes into effect September, 2019.

Cardinal is one of the only providers who supports both issuers and merchants with a 3-D Secure solution. Partnering with Cardinal enables sharing of enriched merchant, consumer and device data with issuers for better and faster risk decisioning because of Cardinal's reach with issuers around the globe.

*For more information about SCA, visit
[CardinalCommerce.com/sca](https://cardinalcommerce.com/sca)*

Complying with PSD2 is complicated.
Choose CardinalCommerce to help you implement your 3DS solution.

WE HAVE IT FIGURED OUT AND WE HAVE YOU COVERED.

Call (877) 352-8444 or Visit cardinalcommerce.com

¹ UK Authentication Steering Group SCA Whitepaper, Version 4.0, p 18

ABOUT CARDINALCOMMERCE

Cardinal is a global leader in authentication for Card-Not-Present transactions and has been working with merchants and issuers for nearly 20 years to solve their authentication challenges. Cardinal is a wholly-owned subsidiary of Visa.

**Authentication First**

Authentication is and always has been Cardinal's top priority.

Cardinal Consumer Authentication (using EMV 3-D Secure) satisfies the PSD2-SCA requirement and manages SCA exemptions.

Authentication First leads the defense in your arsenal of fraud-fighting tools. When transactions are authenticated before using other fraud tools and before authorization, merchants and issuers can use authentication results as inputs to the other processes, for better results.

Cardinal is one of the only providers who supports both issuers and merchants with a 3-D Secure authentication solution. Partnering with Cardinal enables sharing of enriched merchant, consumer and device data with issuers for better and faster risk decisioning because of Cardinal's reach with issuers around the globe.

Cardinal focuses on consumer authentication. We've been "Authentication First" since the early 2000s, with our network of intelligence and rich data. The results are reduced fraud, limited false declines and more good orders for merchants and issuers.

Cardinal innovates to improve the integration experience, based on thousands of implementations to our solutions. We introduce new capabilities regularly.

Cardinal delivers. We deploy our technology for 3DS through a suite of integration options tailored to the needs of our customers. We deliver with our infrastructure so we are ready for whatever our customers need to authenticate their transactions: capacity planning, systems redundancy, authentication speed, ecosystem monitoring, customer support, cybersecurity and physical security.

Complying with PSD2-SCA is complicated. Since PSD2-SCA is mission-critical, you need a provider that knows how to authenticate, how to secure transactions, and how to plan for security, redundancy, capacity spikes and maximum uptime.

Choose CardinalCommerce to help you implement your 3DS solution. We have it figured out and we have you covered.