

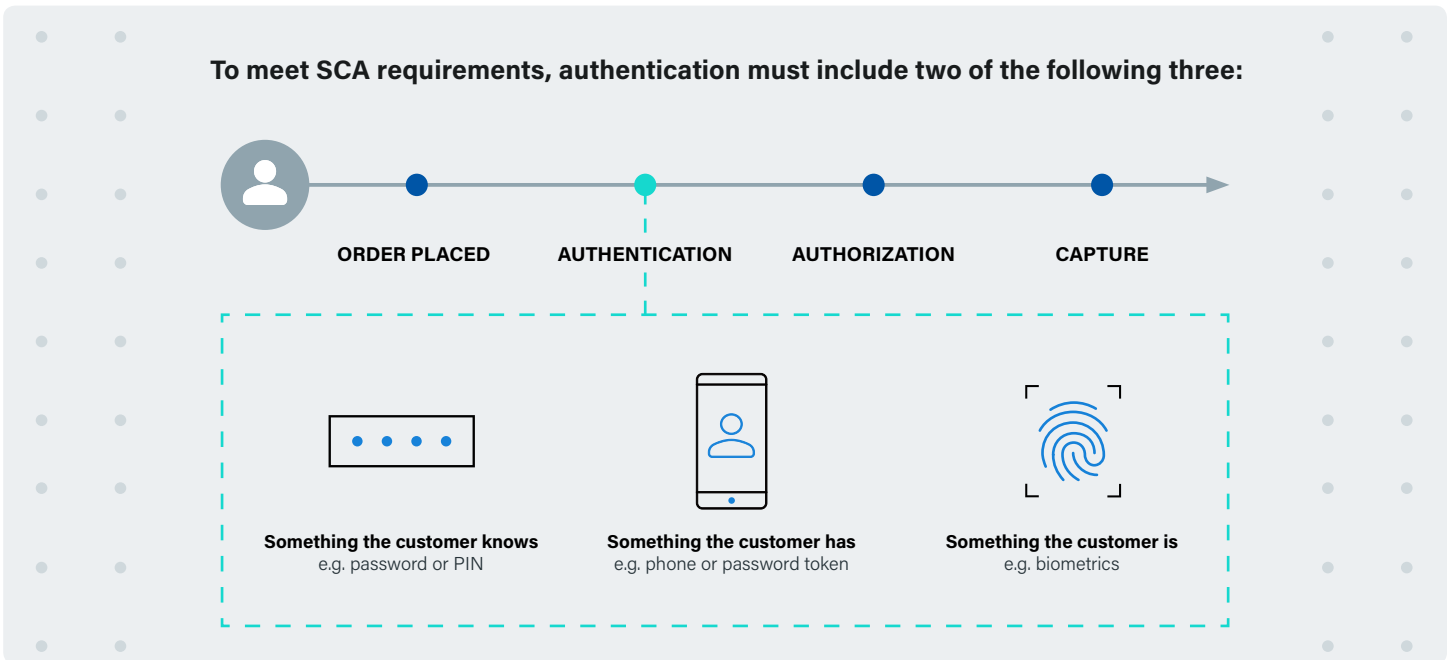
Managing risk, friction, and growth under PSD2

The Second Payments Services Directive (PSD2) is a step towards more open and secure online payments, but it presents merchants with new challenges. Most significant is the new requirement of Strong Customer Authentication (SCA) — which, while helping prevent fraud, also adds friction. To prevent churn and keep revenue growing under PSD2, merchants must adopt a Digital Trust & Safety strategy that simultaneously stops fraud, maximizes exemptions, and minimizes friction.



PSD2 & SCA in a nutshell

Starting September 2019, businesses operating in the European Economic Area will be required to implement SCA on a large portion of online transactions. 3DSecure 2.0 is the authentication solution of choice for most merchants. While it shifts liability for merchants, it presents more friction for cardholders and can lead to lost revenue.



Merchants and Payment Service Providers (PSPs) should adopt a strategy that protects them from fraud and takes advantage of exemptions that allow cardholders to avoid SCA. An effective PSD2 plan involves 1) getting alignment on an exemption strategy with acquirers and 2) adopting a real-time solution for Transaction Risk Analysis (TRA).

Digital Trust & Safety enables businesses to remain compliant while also balancing risk and revenue effectively.

SCA EXEMPTIONS

Payments under €30

Low-value transactions are exempt except in cases when the total amount attempted without SCA exceeds €100, or every five transactions.

Low-risk transactions

More exemptions can be granted as long as low fraud rates are maintained and a real-time solution for Transaction Risk Analysis (TRA) is in place.

The fraud rates and exemption limits are as follows (90 days):

- Up to 0.01% – Up to €500
- Up to 0.06% – Up to €250
- Up to 0.13% – Up to €100

One leg out transactions

If either the acquiring or issuing bank in a transaction is outside the EU.

Recurring subscriptions

Repeat transactions for the same amount to the same merchant.

Corporate payments

Corporate card payments made through secure processes and protocols are exempt.

MOTO

Mail order and telephone orders (MOTO) are exempted from SCA in all cases.

Trusted beneficiaries

Businesses added to a whitelist by consumers with their issuing banks.

A smart action plan to keep conversion high and friction low

Under PSD2, both merchants and PSPs must maximize their exemptions to delight customers while still ensuring fraud is kept in check. Sift can help do both.

- Minimize risk on SCA exemptions**
Every exemption reduces friction but can increase risk. Sift identifies good and bad users with unparalleled accuracy to ensure you're protected from fraud and friction is low.
- Proactively stop fraud**
Sift learns in real time at every point in the user journey, so you can block bad users early — saving you both authorization and authentication costs.
- Keep chargeback rates low**
3DSecure 2.0 shifts liability but not responsibility. If too many fraudsters get through authentication, you could enter a chargeback program and face high fees. Screening all transactions is key to success.
- Take ownership of TRA**
Ask your acquirer to maximize TRA exemptions yourself, and use Sift's real-time technology to assess risk throughout the user journey.

Be prepared

Reach out to sales@sift.com to learn how you can optimize your business for PSD2.