

# Managing risk, friction, and growth under PSD2

The Second Payments Services Directive (PSD2) is a step toward more open and secure online payments, but it presents merchants with new challenges. Most significant is the requirement of Strong Customer Authentication (SCA)—which, while adding more security, also potentially adds more friction. To prevent churn and keep revenue high under PSD2, merchants and payment service providers alike should adopt a Digital Trust & Safety strategy that stops fraud, maximizes conversion, and minimizes friction.



## Align PSD2 compliance, risk, and revenue with Sift

With Sift, businesses can dynamically apply SCA when it's needed and remove it when it's not. Our accuracy ensures that your business can:



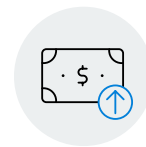
### Stop fraud proactively

Accurately detect and stop bad payments pre-authorization



### Apply Dynamic Friction

Remove friction for exemptions and out of scope transactions



### Keep conversion high

Maximize exemptions for your low-risk users

## Does PSD2 apply to me?

PSD2 applies to online transactions where the issuing bank and/or acquiring bank are located in the EEA/UK. If this is not the case, transactions are considered "out of scope."

*\*Note: for transactions where either the acquiring or issuing bank is located in the EEA/UK, the entity located within the EEA/UK is responsible for the implications of PSD2.*

### Issuing bank (payer's credit card)



Italy



Great Britain



USA



USA

### Acquiring bank (merchant's bank)



Germany



USA



USA



Spain

### Status

SCA required

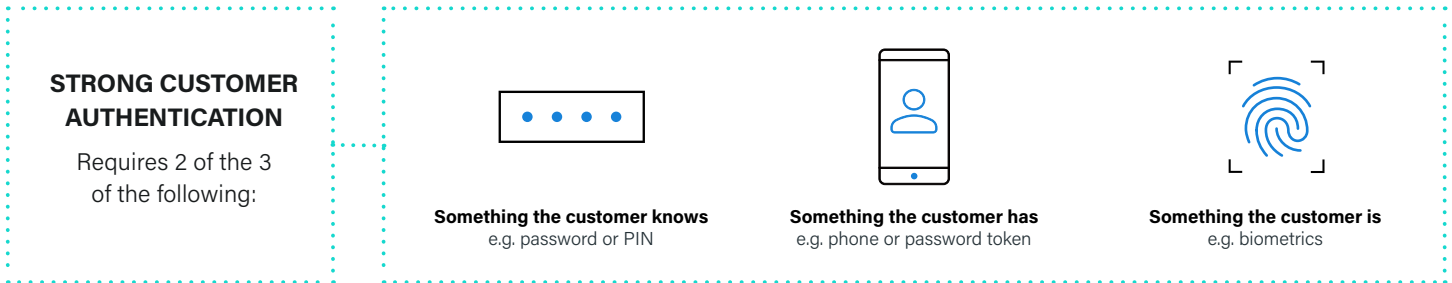
SCA required\*

Out of scope

SCA required\*

## PSD2 & SCA in a nutshell

The original deadline for businesses operating in the European Economic Area (EEA) to implement the required SCA on their online transactions was December 31, 2020. Due to the pandemic and practical readiness challenges, this deadline was extended in much of the EEA and the UK. The deadline for the final participating country's requirement for SCA implementation elapsed on March 14, 2022, signaling full compliance requirements for SCA throughout the EEA and the UK.



## Out of scope transactions and exemptions

There are many cases where SCA does not need to be applied. Businesses should consider removing friction for these transactions to maintain seamless customer experiences.

<p><b>One leg out transactions</b></p> <p>If either the acquiring or issuing bank in a transaction is outside the EU</p> <hr style="border-top: 1px dotted #ccc;"/> <p><b>MOTO</b></p> <p>Mail order or telephone order payments</p> <hr style="border-top: 1px dotted #ccc;"/> <p><b>Merchant initiated transactions (MIT)</b></p> <p>Recurring payments for the same amount to the same merchant</p> <hr style="border-top: 1px dotted #ccc;"/> <p><b>Low-value transactions</b></p> <p>Transactions below €30 are exempt except in cases where the total amount attempted without SCA exceeds €100, or if there are five consecutive transactions</p> <hr style="border-top: 1px dotted #ccc;"/>	<p><b>Low-risk transactions</b></p> <p>Additional exemptions up to certain amounts can be requested if real-time transaction risk analysis (TRA) determines they are low risk.</p> <p>The fraud rates and exemption limits are as follows (90 days):</p> <ul style="list-style-type: none"> <li>▪ Up to 0.01% – Up to €500</li> <li>▪ Up to 0.06% – Up to €250</li> <li>▪ Up to 0.13% – Up to €100</li> </ul> <hr style="border-top: 1px dotted #ccc;"/> <p><b>Corporate payments</b></p> <p>Payments made with lodged cards and virtual card numbers</p> <hr style="border-top: 1px dotted #ccc;"/> <p><b>Trusted beneficiaries</b></p> <p>Approved list of merchants provided to issuers by consumers</p> <hr style="border-top: 1px dotted #ccc;"/>
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**Get PSD2 compliant – without compromising good customer experiences**

Reach out to [sales@sift.com](mailto:sales@sift.com) to learn how you can optimize your business for PSD2.