Guestline

PSD2 SCA Everything you need to know

July 2019

What is PSD2?

Payment Services Directive 2015/2366 of the European Parliament and of the Council from 25 November 2015 best known as PSD2 supersedes the PSD1 (2007/64/EC) directive.

PSD2 applies to all non-exempt transactions (electronic payments[1] such as online payments, not MOTO) that occur entirely within the European Economic Area (EEA)[2] or those where the card issuer and/or acquirer are located within these countries.

Additional information about exclusions is available on 'Title I Subject matter, scope and definitions' Article 3 of Directive (EU) 2015/2366 of the European Parliament and of the Council (25 November 2015) here and exemptions on 'Chapter 3 Exemptions from strong customer authentication' Articles 10 to 21 of the Commission delegated regulation (EU) 2018/389 (27 November 2017) here.

Who needs to be PSD2 SCA compliant?

Hoteliers who accept non-exempt electronic transactions1 that occur entirely within the EEA, meaning card issuer and acquirer are located within these countries.

For Hotels located outside the EEA, SCA applies only on a best-effort basis. However, if a non-EEA Hotel doesn't use SCA, they will be liable for any fraudulent transactions.

Doesn't Brexit mean we can ignore this?

No. Regardless of Brexit you'd still have to comply as the regulations apply when any party in the transaction is inside the EEA.

When does PSD2 SCA come into force?

This becomes mandatory on 14th September 2019. This means that online payment pages must support 3D Secure v1.

The second phase is during 2020 (when card schemes such as Mastercard stops supporting 3D Secure v1) will require payment pages to support 3D Secure v2. This date may be pushed back.

What is Strong Customer Authentication (SCA)?

In addition to PSD2 directive, on 13th March 2018, the Regulatory Technical Standards (RTS) for Strong Customer Authentication (SCA) and Common and Secure Open Standards of Communication (CSC) – Commission delegated regulation (EU) 2018/389 from 27 November 2017 are available here.

SCA requires an additional step between authorisation (guest's bank or card issuer decides to approve a payment) and capture (guest's card is charged) – authentication to non-exempt electronic transactions1 that occur entirely within the EEA, meaning card issuer and acquirer are located within these countries.

SCA factors can be any two of the independent elements below or something that works only when all the elements have been provided (e.g., an algorithm in a chip produces a one-time password or cryptogram, based on a response to a PIN request).

- Knowledge, something customers know (e.g. PIN number, password, passphrase, sequence, secret fact)
- Possession, something customers have (e.g. credit/debit card, mobile phones, wearable device, smart card, token, badge)
- Inherence, something customers are (e.g. biometric data, fingerprint, touch ID, voice pattern, facial features, Iris information, face recognition, DNA Signature)

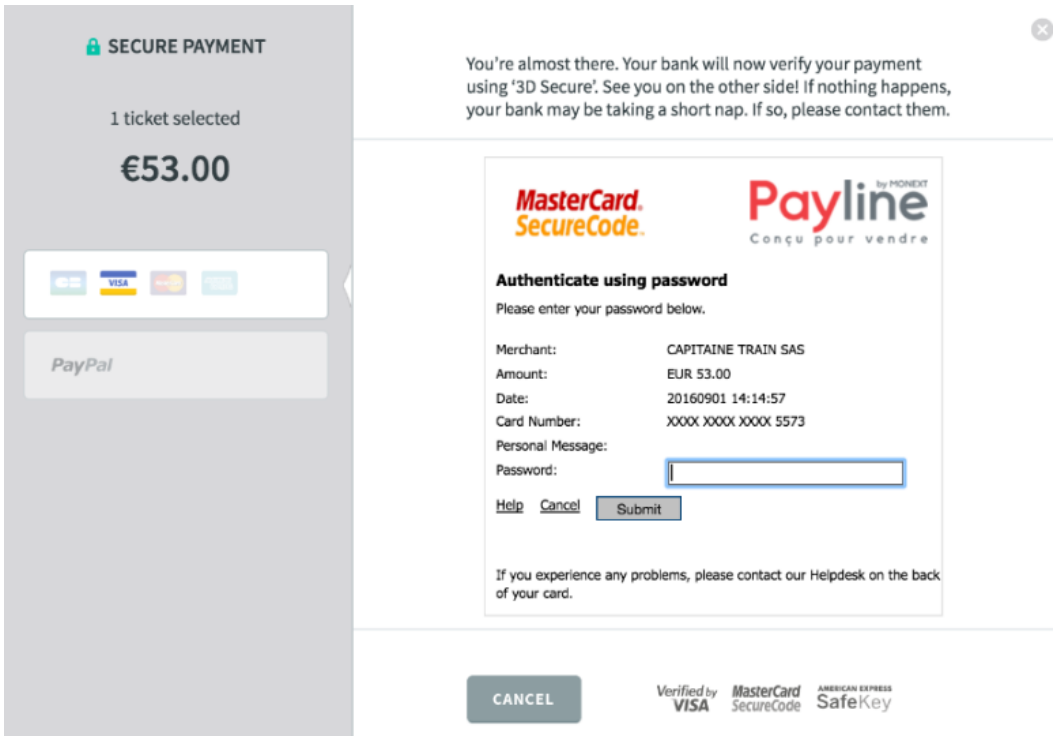
[1] Electronic transactions include card payments (remote online or in-app, face to face Chip & Pin or contactless), bank payments and access to bank accounts.

[2] EEA includes 28 EU countries members plus Norway, Iceland, and Liechtenstein.

What is 3DS V1?

3DS V1 is where Guests have a password configured with their Card provider and they're asked to enter this as part of the transaction process.

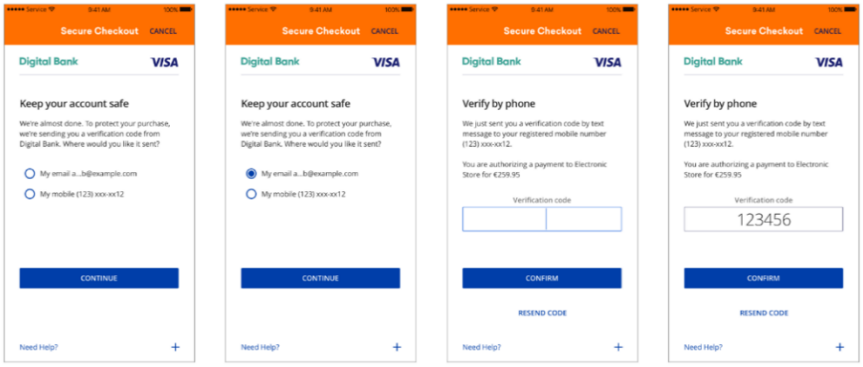
For example...



What is 3DS V2?

This is very similar to 3D Secure v1, however from the cardholders' (guests) perspective it typically takes the form of a one-time use verification code being sent via SMS...

For example...



By putting the booker experience at the forefront of authentication, 3D Secure 2 can be adopted without fear of drop off. Hotels will be able to process more successful transactions whilst being able to benefit from full liability for transactions where fraud is detected.

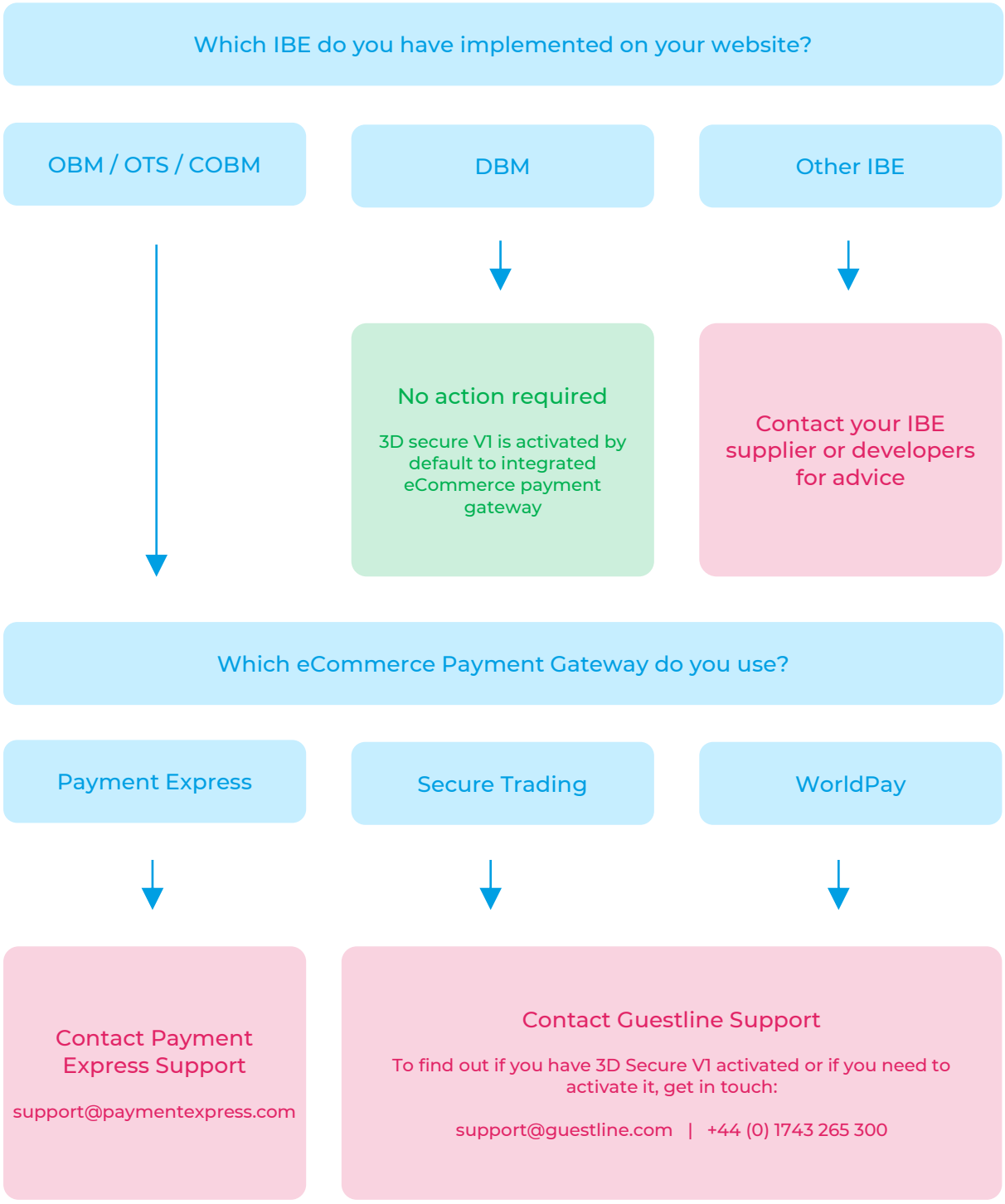
Can I activate 3DS V2 now?

Unfortunately, not yet. At the time of publishing this information, most of the payment gateway is not yet ready for 3D Secure v2. Once they've implemented support Guestline will have to make changes to its products in order to support the new version.

Further to this, it appears that some payment gateway is not planning to enhance their existing solutions to support 3D Secure v2.

Guestline will update its customers with more information whenever appropriate.

How do you know if you have 3D Secure enabled already?



Are there any downsides to activating 3D Secure v1?

3D Secure v1 ensures a more secure transaction reducing the likelihood of chargebacks. However, it is an older technology. Many sites chose not to implement 3D Secure due to a high rate of bookers dropping out of the payment journey due to being unable to remember their password! This is where 3D Secure v2 aims to improve on the payment journey.

What if I don't activate 3D Secure v1 or v2 by the deadlines?

Many transactions would result in a Declined status. There are some exemptions (like Virtual cards), but most card issuers won't be on the exemption list. If there is no exemption, then 3DS will have to be supported for a transaction to succeed. In Summary, it's a legal requirement so it's not possible to opt out.

I am not using Guestline's Internet Booking Engine. What should I do?

For customers who have implemented their own IBE and perform Credit Card Tokenisation themselves, they will need to ensure that they have 3D Secure v1 enabled by the 14th September 2019 deadline and then subsequently 3D Secure v2 during 2020. From a Guestline perspective, nothing changes.

Does anything change with respect to Online Travel Agents?

OTA transactions are MOTO transactions, therefore as regulation stands, they are exempt. However, it seems that many of the OTAs haven't yet digested the new regulations and determined whether changes are required. Currently, there's an industry debate about whether they will have to adopt a different approach. We are in correspondence with the major players, like booking.com, and will provide further updates on this as information becomes available.

Where can I find more info about this new regulation?

If you search for PSD2 in a search engine (e.g. Google) you will find several sources of information, however, we recommend you to look at the official sources, which have the information available in any EU countries official languages:

- Directive (EU) 2015/2366 of the European Parliament and of the Council from 25 November 2015 can be found here.
- The regulatory technical standards for strong customer authentication and common and secure open standards of communication – Commission delegated regulation (EU) 2018/389 from 27 November 2017 are available here.
- In addition European Commission also prepared a Fact Sheet here.

*Guestline also recommend seeking the guidance of a suitably qualified external legal advisor for aspects of PSD2 in relation to your own business compliance matters.

If you still have questions please contact Guestline Support Team or your eCommerce payment gateway support.