

16 June 2020

Dear Mr Campa,

The signatories to this letter took part in a number of technical workshops in the recent months to explore ongoing challenges in the implementation of the Strong Customer Authentication (SCA) requirement under the PSD2. In the light of the outbreak of COVID-19, these discussions became particularly urgent.

1. During 2019, most Payments Service Providers (PSPs) aligned themselves on the need to be operationally ready for Strong Customer Authentication. Most PSPs have demonstrated an intention to honour the exemptions. As result of the COVID-19 pandemic, unfortunately, there has been a general slowdown in delivering SCA programs in various jurisdictions. 3DS2.X cards migration and 3DS2.X adoption by merchants have slowed down as industry stakeholders were obliged to reprioritise resources to sustain business operations and allow EU consumers to purchase essential goods online.
2. Despite all our efforts, we are still experiencing high abandonment rates of e-commerce transactions during testing. Reasons include issues with latency or deficient presentation of authentication frames. Abandonment rates in the 3DS2.X are significantly lower than in the 3DS1.0, which supports the advocacy of the payment industry for a full rollout of 3DS2.0, before enforcement of the SCA mandate.
3. As stated, the payment industry believes there is a need for extended IT testing, piloting and a co-ordinated rollout period. Any technical errors, or bugs in the payment chain will lead to a fractured and inconsistent consumer experience during the payment process. Fixing these issues will take months as all parties seek to align their systems. Testing needs to be done in cooperation with multiple industry participants – it is not an isolated activity within an entity. For any PSP to effectively test 3DS, they need to interact with technology vendors, the Networks, the card issuers, and their technology vendors. This scope of collaboration is severely impeded when organisations are focusing on stability and continuity, and operating with a dispersed workforce.
4. We remain committed to delivering the right Strong Customer Authentication (SCA) solutions for the EU economy; however, in order to meet the current SCA deadline of 31 December, most merchants will need to have SCA thoroughly tested and successfully deployed by mid-October in advance of system freezes and the commencement of peak trading over the holiday period, upon which, given the massive impact of the COVID crisis, their future survival may depend. We are still extremely concerned at whether the industry will be able to deploy an optimised SCA solution before the December deadline and are becoming increasingly fearful of the consequences if they cannot.
5. Any disruption to current online transactions would have a significant impact on Europe's economy and particularly on Europe's Digital Single Market. Today, nearly 80% of all e-commerce card transactions are processed as straight-to-authorisation transactions, i.e. SCA is skipped. Under the current terms of the migration period, all of these transactions will need to meet the new SCA standards by year-end.
6. We would also highlight that the current SCA timetable does not reflect the realities of the Travel & Hospitality industry, which has been particularly badly hit by the economic consequences of COVID-19. The travel sector is characterised by involving disproportionately more intermediaries in the payment chain. This makes the development, testing, and implementation of 3DS even more challenging and complex for this industry. The industry is currently doing its best, and working on a proposal for an *interim* solution, which addresses the immediate security objectives of SCA-legislation and the needs of the T&H industry.
7. Last year Stripe undertook some market research and predicted a €50 billion loss in e-commerce transactions if SCA was launched without being optimised. Based on our experiences so far and the current

conversion rate of payments, we estimate the impact on ecommerce to be in the region of €45 billion, with €9 billion representing the impact on small and medium businesses.

The signatories therefore call on the European Commission and the EBA to once again consider appropriate additional measures to assist and ensure the smooth transition to SCA in the EU. This should include an additional testing period of at least six months, during which the industry should be allowed flexibility to operate with soft declines.

We wish to emphasise that we remain committed to the smooth and effective implementation of SCA and look forward to working with the European Commission, EBA and the National Competent Authorities to make the PSD2 implementation a success.

Sincerely,
The Co-signatories.

This letter has been co-signed by the following organisations:

