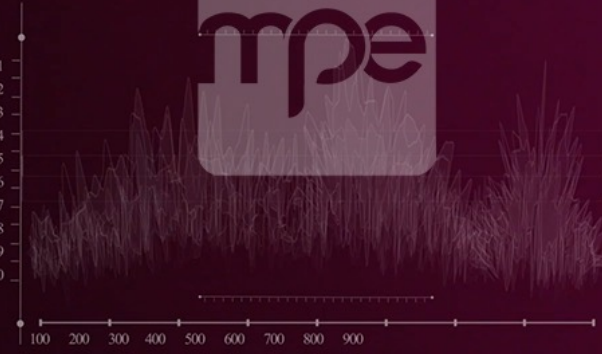


Accertify
AN AMERICAN EXPRESS COMPANY



AIR FORCE
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FREE WEBINAR
October 6 | 4PM CET

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PERCENTAGEBAR 79%

PERCENTAGEBAR 3%

The Future of Authentication for eCommerce

Your Speakers Today



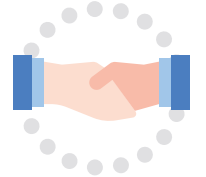
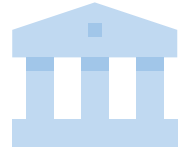
Alan Moss
(Moderator)
MD Europe for
Western Europe
**NEWLAND
PAYMENT
TECHNOLOGY**



Catherine Malec
Vice President &
General Manager
EMEA
ACCERTIFY



Jon Swan
SCA Solution
Consultant
ACCERTIFY



We Secure \$1T of transactions
ANNUALLY¹

Accertify protects many of the world's leading e-commerce companies and 6 of the largest global airlines.



We Service TOP GLOBAL
MERCHANTS

Accertify provides fraud and account protection to many top merchants.



AMERICAN
EXPRESS

Accertify is a wholly owned subsidiary of American Express and is able to leverage extensive knowledge and best practices from a large risk team.



GLOBAL
TEAM

Whether you do business in a certain region or across the globe, Accertify's global team is ready to support you.



TRUSTED
PARTNER

When tackling digital risk, it's important that you work with a partner who has powerful backing and been in the business for over a decade.



1. Based on Accertify annual transaction volume for 2021.

AGENDA

- 1 **SCA Background**
- 2 **Challenges and Problems**
- 3 **SCA Tomorrow**
- 4 **Why It Matters**
- 5 **New Technology**
- 6 **Key Takeaways**

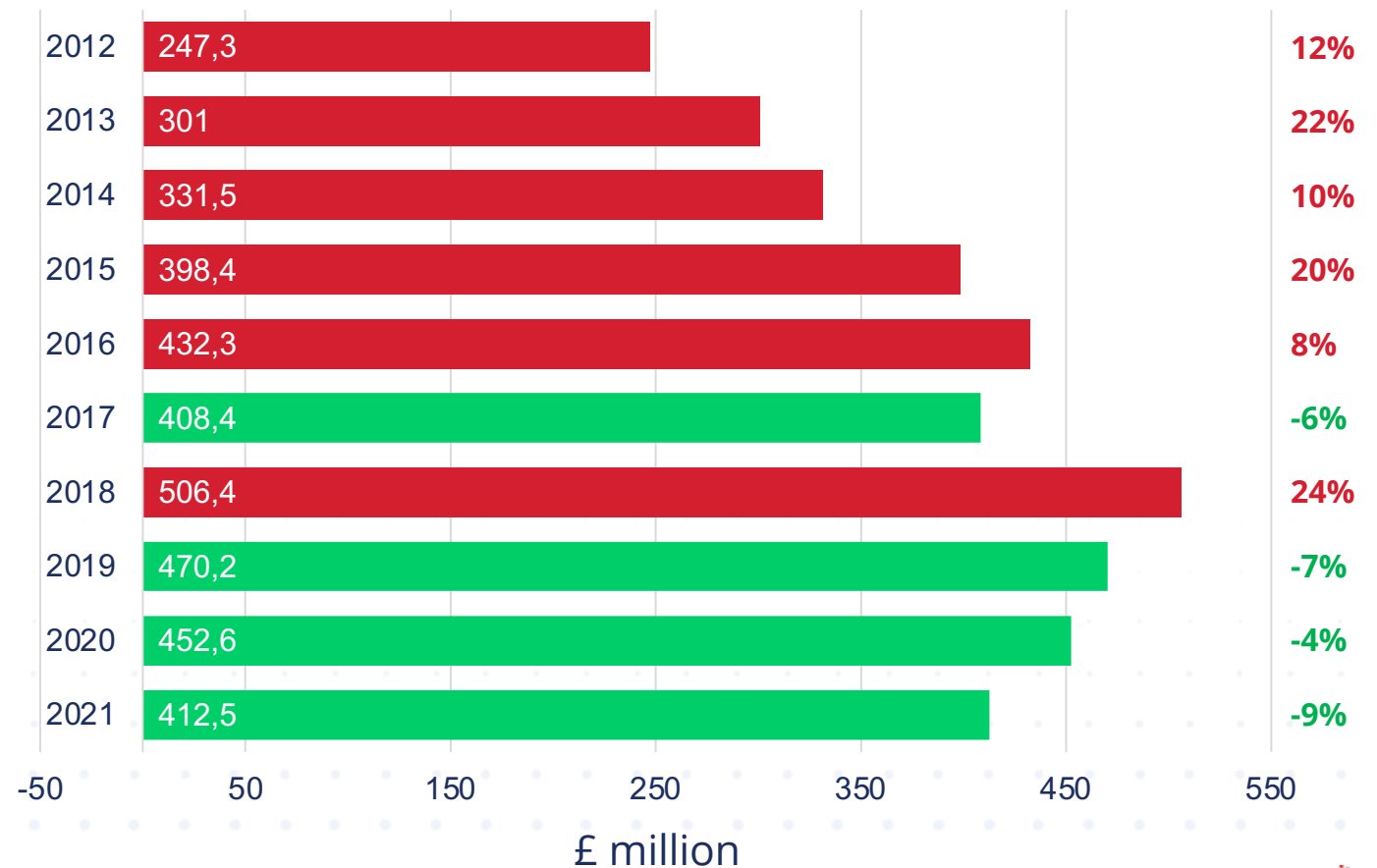
Strong Customer Authentication: Background

Many regions around the world are facing an ever growing problem of online fraud.

20% CAGR (2017 – 2020) for UK CNP Fraud losses

EU: Similar story on CNP fraud levels

Remote purchase (CNP) gross fraud losses
(UK-issued cards) 2012-2021



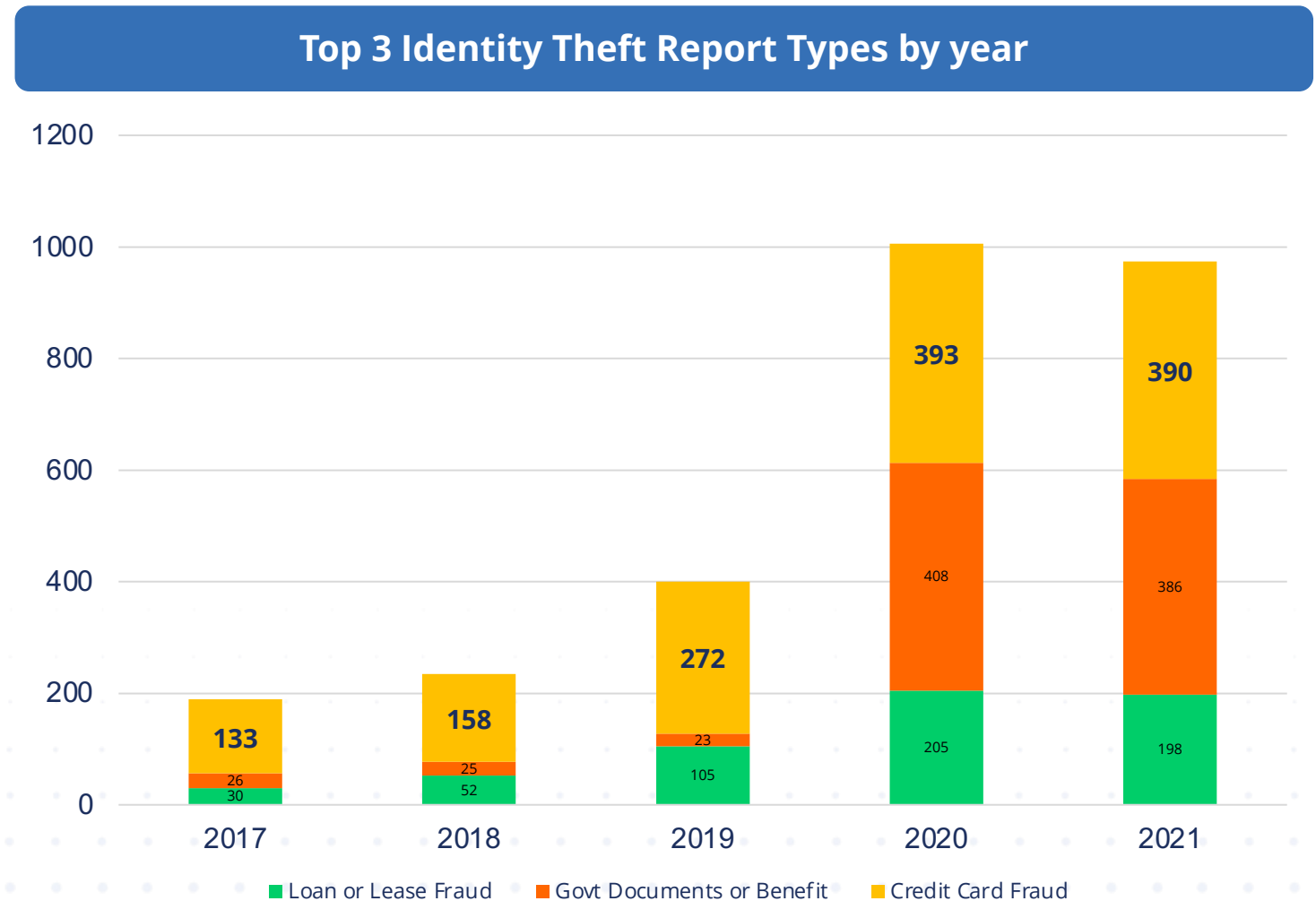
1. [UK Finance: Annual Fraud Report 2022](#)

SCA Background

US has also seen significant CNP fraud growth.

The Federal Trade Commission's (FTC) Consumer Sentinel Network Data Book 2021 shows large increases...

43.5% CAGR (2017 – 2020)



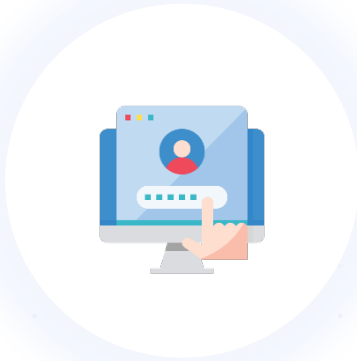
1. [FTC: Consumer Sentinel Network Data Book \(2021\)](#)

SCA Background

2017 the European Commission published the Revised Payment Services Directive (PSD2). In this they detailed the enforcement requirements surrounding SCA:

SCA is to be applied when a payer (consumer)...

1. Accesses its payment account online
- 2. Initiates an electronic payment transaction**
3. Carries out any action through a remote channel which may imply a risk of fraud



SOMETHING
YOU KNOW



SOMETHING
YOU HAVE

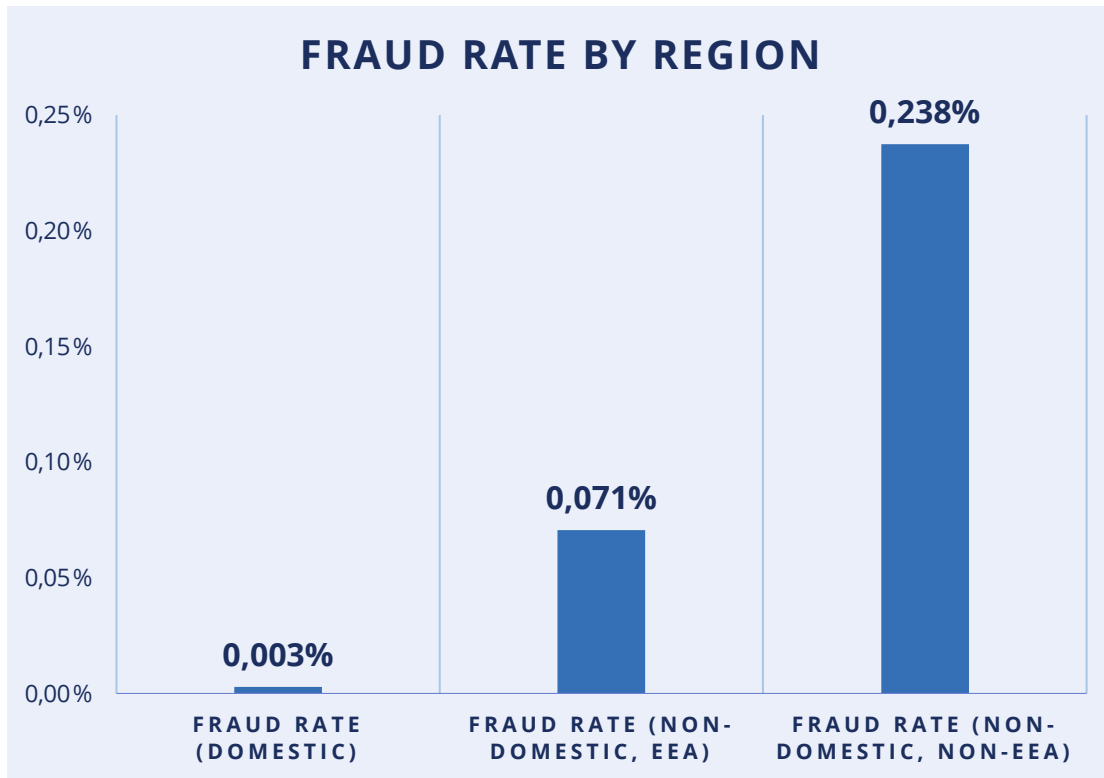


SOMETHING
YOU ARE

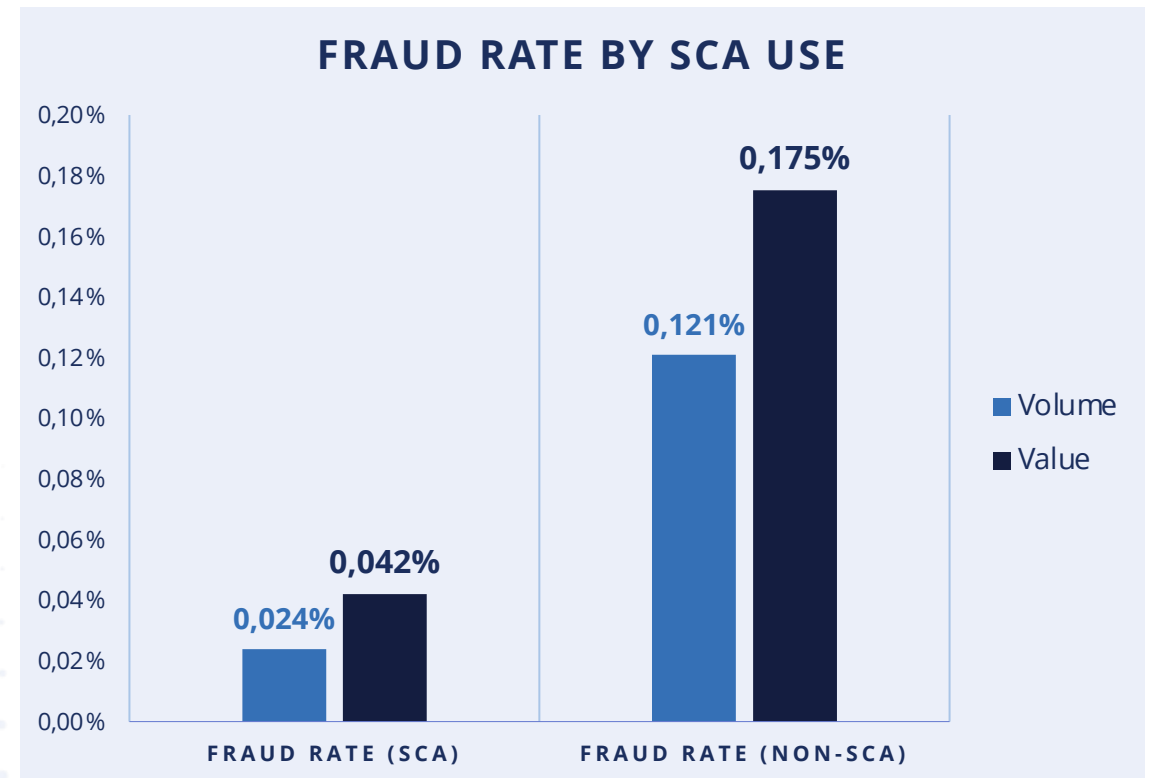
SCA Today

SCA has been successful in some KPI's:

1. Acquirers reporting reduced fraud rates when processing EEA cards
2. SCA authenticated transactions also show reduced fraud rates.



(1.)



(1.)

1. [EBA Discussion paper on the preliminary observations on selected payment fraud data under PSD2, as reported by the industry](#)

SCA Challenges & Problems

- ✓ **3DS pushed** as primary mechanism
- ✓ **Reduced conversion** for merchants
- ✓ Considerable drop out due to **3DS friction**

30%

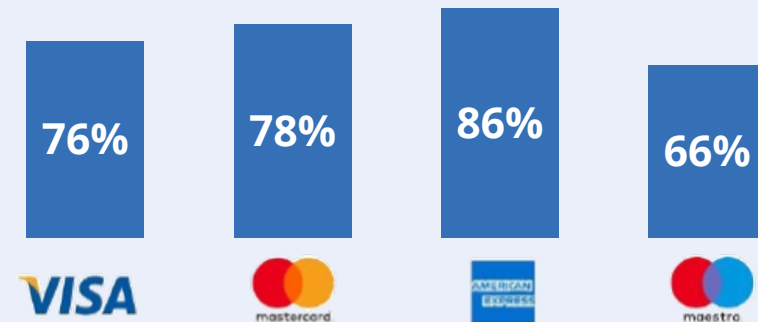
of payments **are lost** through 3DS

3DS acceptance rate is only

70%

Top card schemes by volume – 3DS acceptance

GLOBAL AVERAGE



SCA Challenges & Problems

- ✓ Drop out estimates as high as **28%**
- ✓ **Compatibility problems** create further drop out
- ✓ Bank driven processes
- ✓ SCA is **no silver bullet...**

	Protocol	Challenge Rate (%)	Challenge Success Rate (%)
UK	1.0.2	23	83
	2.X (App)	21	61
	2.X (Browser)	31	81
Europe	1.0.2	39	76
	2.X (App)	64	60
	2.X (Browser)	48	76



SCAM WARNING

Ofgem scam emails reported over 1,500 times



POLICE ALERT

Over £1.5 million lost to WhatsApp scam messages

1. [Barclaycard Press release](#)
2. [Arcot August Newsletter \(July 2022 Scorecard\)](#)
3. [Action Fraud Newsroom](#)

SCA Tomorrow

EEA not the first region to enforce authentication for ecommerce activity and not going to be the last...



भारतीय रिज़र्व बैंक
Reserve Bank of India
India's Central Bank

2009: The Reserve Bank of India enforced Additional Factors of Authentication (AFA) (1.)

CNP FRAUD MITIGATION FRAMEWORK SUMMARY




Australia introduced its version of SCA. It carries mandatory 100% 3DS processing for merchants and issuers who fall outside of prescribed appetites (2.)

We've seen increased activity over in the United States regarding authentication:



August 2021, the Federal Financial Institutions Examination Council (FFIEC) issued authentication guidance stating that **MFA/2FA should be implemented if the risks warrant** it (4.)



Consumer Financial Protection Bureau

August 2022 circular from the Consumer Financial Protection Bureau (CFPB) hints at Consumer Financial Protection Act (CFPA) violations. (3.)

1. [RBI Booklet on Payment Systems](#)
2. [AusPayNet Card Not Present Code](#)
3. [CFPB Circular on "Insufficient data protection or security for sensitive customer information"](#)

4. [FFIEC Guidance on Authentication & Access to Financial Institution Services & Systems](#)

Why It Matters

The **spread of authentication mandates** means the spread of the accompanying challenges and problems along with it.



Adapting to these changing environments is key to retaining **commercial performance and customer satisfaction**



Enforced authentication is likely to bring **increased operating costs and reduced revenue**



Honing a strategy early for authentication enables **prioritisation of frictionless authentication options**

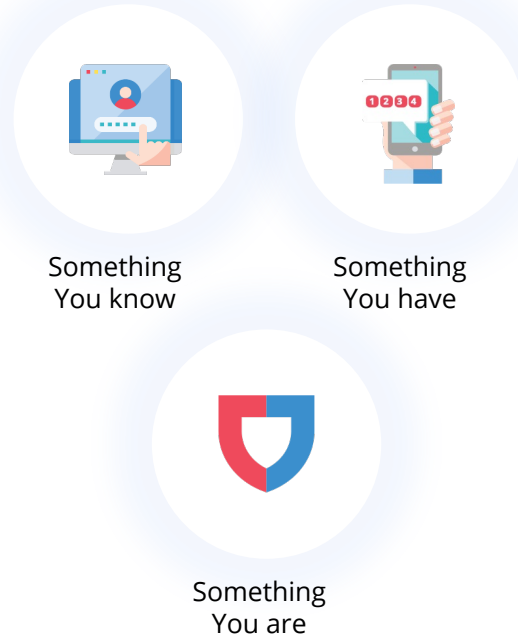
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New Technology – Delegated Authentication



Available in 3DS
2.2 and above

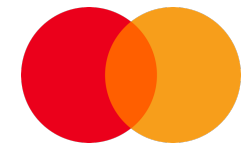


Enables merchants
to perform SCA



Avoids
compatibility
issues

VISA



Visa & MasterCard
already progressing

New Technology – Secure Payment Confirmation (SPC)



3DS compatible with
bespoke fields and
values



Limited
implementations

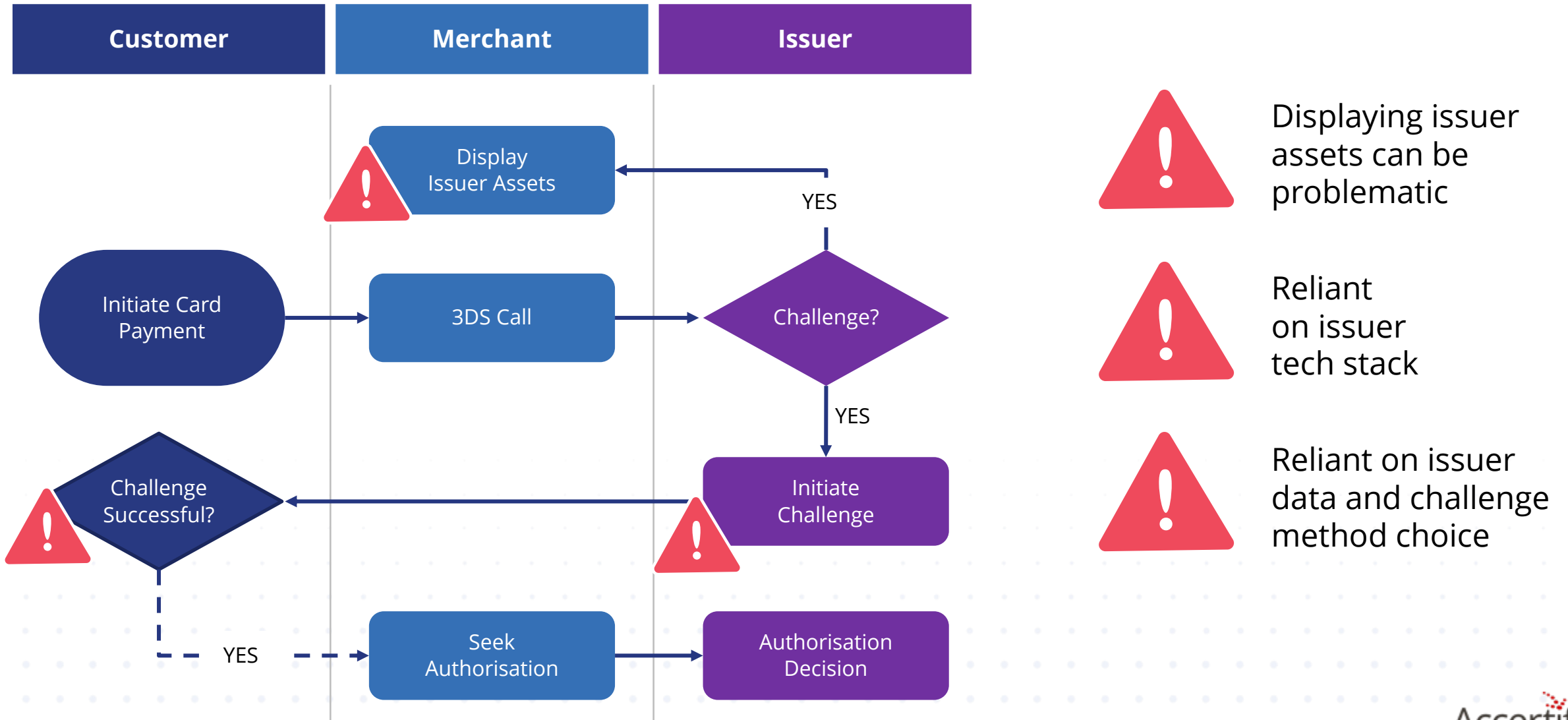


Scheme compliant
cryptography

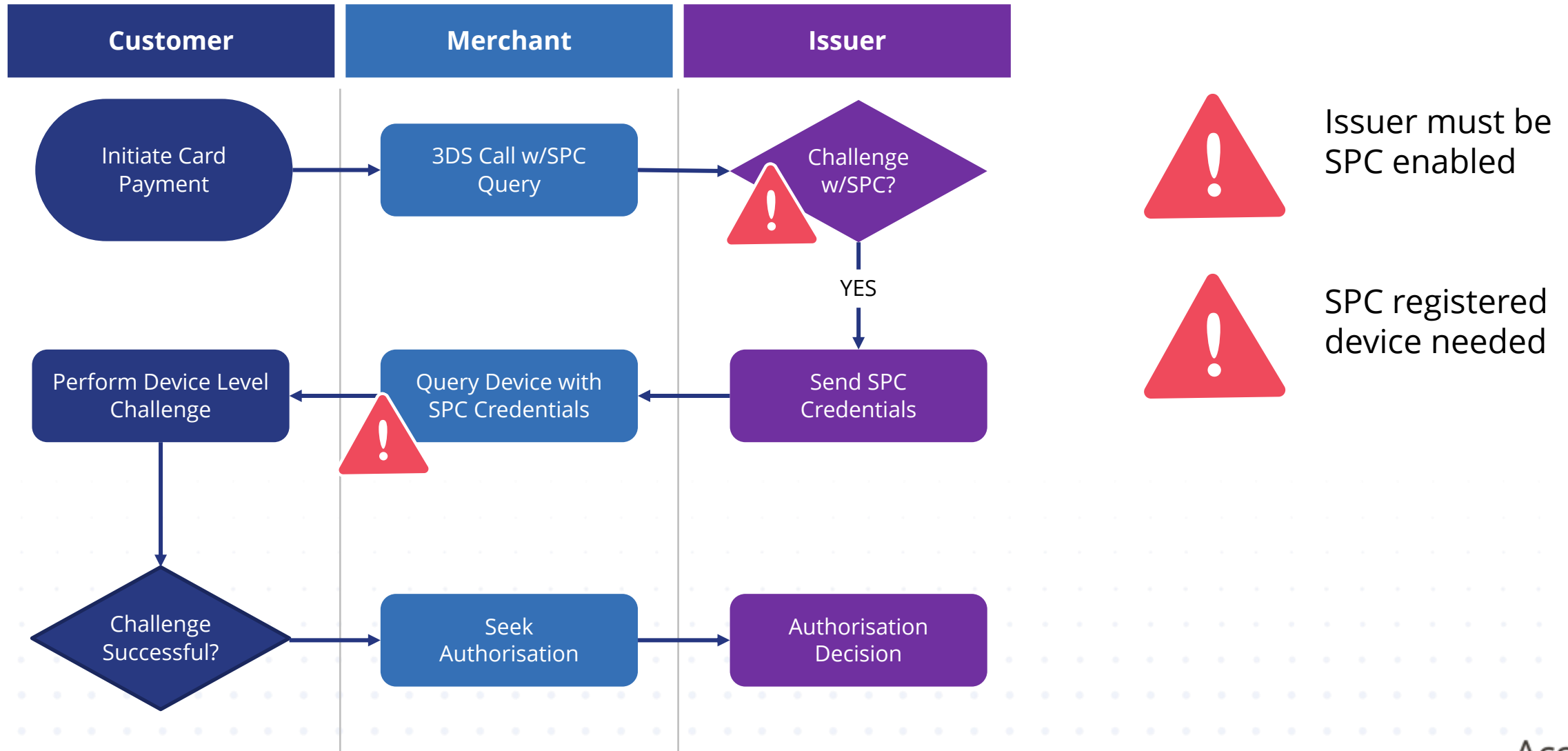


Designed with
persistence
in mind

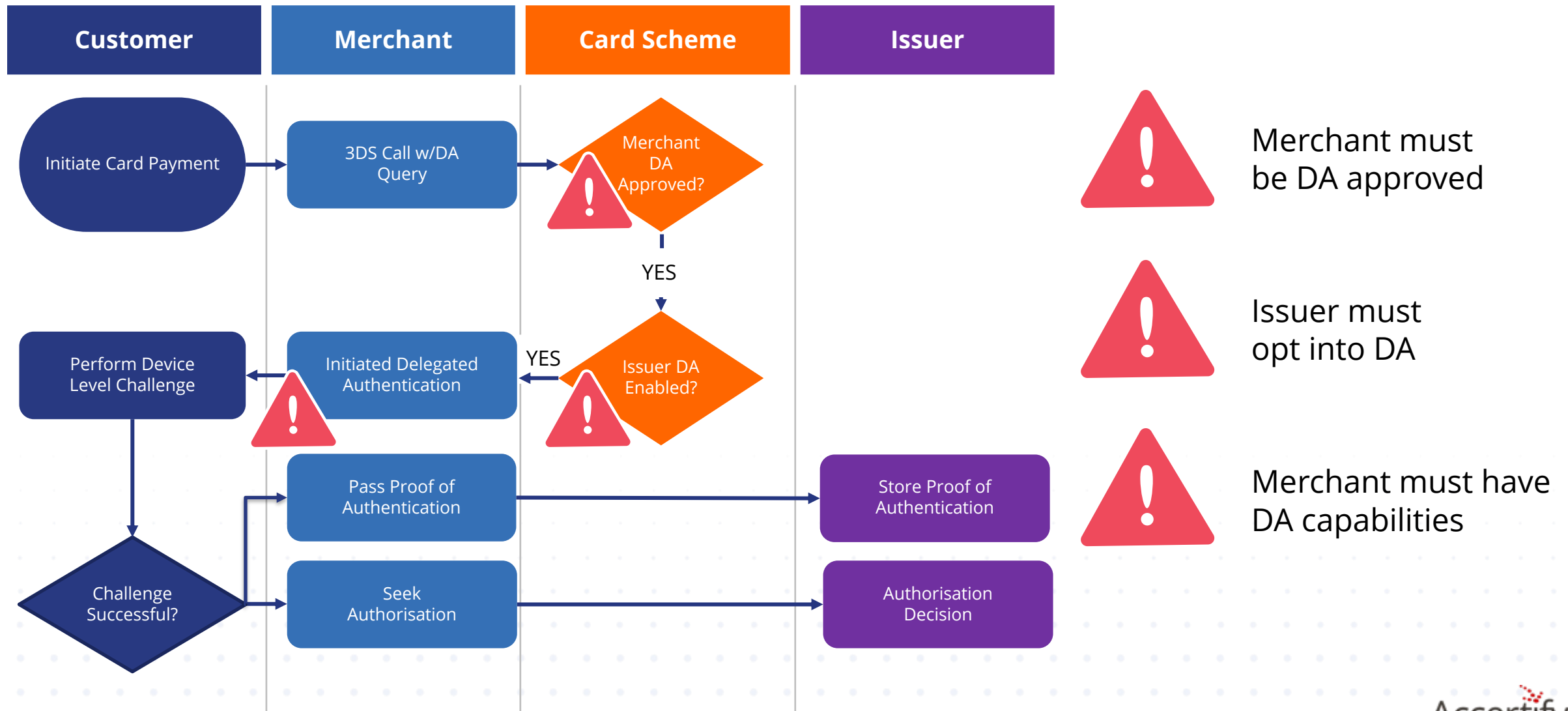
New Technology – 3DS Flow



New Technology – SPC Flow



New Technology - Delegated Authentication Flow



New Technology – Key Differences

Secure Payment Confirmation

- Available in a select few web browsers only ❌
- not issuer transferable ❌
- Possible use of other SPC merchants ✅
- Just an SPC build needed ✅
- Guest checkout compatible ✅
- Issuer SPC enablement needed ⚠️
- FIDO capabilities needed ⚠️

Delegated Authentication

- Available in all web browsers and mobile apps ✅
- DA can be used across all opted in issuers ✅
- Cannot rely on other DA merchants ❌
- Buy or build of SCA compliant authentication ❌
- Incompatible with guest checkout ❌
- Issuer DA opt in needed ⚠️
- FIDO capabilities needed ⚠️

New Technology – Availability Timelines

**Secure Payment
Confirmation**

&

**Delegated
Authentication**

TODAY

2023

2024/25

Few implementations
have been observed
to date

Wider adoption
expected
throughout 2023

Technology and
processes become
the norm

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Key Takeaways



**WHAT TECHNOLOGY
OPTIONS ARE RIGHT
FOR YOUR BUSINESS?**



**REVIEW EXISTING
PAYMENT SERVICE
PROVIDERS (PSPS)**



**UNDERSTAND WHAT
FIDO CAPABILITIES
ARE AVAILABLE TO
YOU**



**UNDERSTAND
AUTHENTICATION
PRODUCT ROSTERS**



Q&A

www.accertify.com

