

THE IMPLEMENTATION OF STRONG AUTHENTICATION IN CARD-BASED E-COMMERCE

The period of supervisory flexibility regarding the implementation of strong customer authentication (SCA) for e-commerce card-based payments, which was introduced by the EBA in two opinions issued in June and October 2019, ended on 31 December 2020. In the course of this flexibility period, the Banco de España requested that card issuing payment service providers and acquirers of card-based transactions submit their respective SCA migration plans and it closely monitored key SCA migration variables. Also, it held an active and collaborative dialogue with representatives of issuers, acquirers, merchants, card schemes and processing entities, all of which are affected by the migration process, in order to achieve the objectives set within the deadline.

The process's difficulty led some national authorities in Europe to contemplate in the first quarter of 2021 the gradual introduction of implemented strong authentication solutions, either through a staggered requirement for SCAs in transactions of ever smaller amounts or through a flexible application of SCA exemptions. In accordance with the above-mentioned EBA opinion of October 2019, and on the basis of a set of data and indicators obtained

from a significant sample of the European issuer and acquirer market, the EBA prepared a report reflecting the status of migration at the end of April 2021.

This report was published in June 2021, concluding that there was a high degree of European industry readiness for the implementation of SCAs in e-commerce card-based payments. In particular, 98% of cards were ready to apply SCA, and 88% of users and 96% of merchants were signed up to the corresponding SCA solutions. However, as a reflection of the diversity of the players involved, the number of transactions in which these solutions were applied was still relatively low. The report also pointed to the existence of differences between jurisdictions, with some of them showing a certain delay in migration; this situation did not affect the Spanish market, which was in the leading group in the main migration indicators. Also, the report highlighted the reduction observed in fraud rates: around 50% for issuers and 40% for acquirers, indicative of the improved security levels brought about by the implementation of SCA. All of this led to the SCA migration being deemed a general success.

1 Opinion of the European Banking Authority on the elements of strong customer authentication under PSD2 (EBA-Op-2019-06) and Opinion of the European Banking Authority on the deadline for the migration to SCA for e-commerce card-based payment transactions (EBA-Op-2019-11).