










MEMO



To : Members of the Digital Transactions and Innovation Working
 From : Ecommerce Europe Brussels Team
 Date : 14 August 2019
 Subject : Update on national transition plans for Strong Customer Authentication

<u>AUTHORITY</u>	<u>GRACE PERIOD</u>
<p>EBA </p>	<p>EBA Opinion on SCA of June 21, 2019 clarifies that:</p> <ol style="list-style-type: none"> 1) NCAs may decide to work with PSPs, consumers, and merchants to provide "<i>limited additional time</i>" to allow issuers to migrate to authentication solutions compliant with SCA and acquirers to migrate their merchants to solutions that support SCA; 2) Each NCA should agree with PSPs on a migration plan based on clear milestones. Migration plans should be executed in an expedited manner; 3) NCAs should monitor the execution of these plans to ensure swift compliance with the PSD2 RTS and consistency of authentication approaches across the EU; 4) NCAs should ensure that all PSPs put in place communication plans for customers; <p>The EBA will indicate the duration of the migration plan, probably in autumn. The EBA is in favour of a duration of 9 months from the application of PSD2 RTS, while communication plans for cardholders and merchants should start as soon as possible.</p> <p>The meeting of July 24, 2019 between the EBA and NCAs has highlighted the following points:</p> <ol style="list-style-type: none"> 1) Other NCAs are in favour of a 18-month duration 2) There is a consensus that the transition period should have the same duration across Europe, but there is no agreement on actual duration yet <p>EBA and NCA have distributed to issuers, acquirers and merchants respectively three questionnaires on industry readiness prepared by the EBA. The questionnaires ask about (i) issuer's readiness in terms of cardholders enrolled in compliant solutions (ii) acquirer's readiness in terms of merchants enrolled in 3DS, and (iii) merchant readiness. Deadlines to response are set towards the end of August.</p>


<p>EC - DG FISMA</p> 	<ul style="list-style-type: none"> • The EC points out that the September 14, 2019 deadline remains unchanged and accordingly stresses that a transition period should be granted only in exceptional cases and for a limited period of time. • They initially considered a duration of 18-month too long. They are now more in line with our position.
<p>ECB</p> 	<p>The ECB is not opposing an 18-month transition period.</p>
<p>Austria Finanzmarktaufsicht (Financial Market Authority - FMA) and Oesterreichische Nationalbank (OeNB)</p> 	<ul style="list-style-type: none"> • The FMA will support a pan European transition period. • The FMA will follow the recommendations of the EBA and believes that the duration of the transition period will be 9-18 months. • They are discussing with industry to understand the state of readiness and are keeping track of merchant positions. • An official plan will likely be communicated in mid-September. The FMS may also issue an official communication about a transition period for open banking.
<p>Belgium National Bank of Belgium (NBB)</p> 	<ul style="list-style-type: none"> • For the moment, there is no roadmap at the Belgian level: if such a roadmap is issued, it would be between 15 August and 31 August • BNB is currently discussing with the industry (issuers and acquirers) to understand what is possible to do for Belgium, what would be the degree of flexibility, etc. • BNB is waiting for issuers and acquirers to issue the roadmap, then BNB can approve it (BNB cannot issue the roadmap itself) • 3D Secure is being discussed – BNB said this protocol is needed


<p>Bulgaria Bulgarian National Bank (BNB)</p>	<ul style="list-style-type: none"> • BNB has not a clear official position. • BNB is working closely with EBA and other NCA on the topic of transition period. • Readiness questionnaires have already been shared with both issuers and acquirers. Based on the input collected, BNB would assess market readiness and define the best approach to go forward. • BNB will inform PSPs of the approach they are going to take by the end of the summer.
<p>Croatia Hrvatska Narodna Banka (Croatian National Bank)</p>	
<p>Cyprus Κεντρική Τράπεζα της Κύπρου (Central Bank of Cyprus)</p>	
<p>Czech Republic Czech National Bank (CNB)</p> 	<p>CNB will support a harmonized transition period.</p>
<p>Denmark Finanstilsynet (Danish Financial Supervisory Authority) and Danmarks Nationalbank (Danish Central Bank)</p> 	<ul style="list-style-type: none"> • They will allow for migration plans agreed with PSPs in accordance with the EBA Opinion but limited to the use of legacy authentication solutions based on card data + SMS OTP. • In any event, PSPs should in principle meet the original deadline of September 14, 2019. The Finanstilsynet published a press release to this end.

<p>Estonia Finantsinspeksioon (Financial Supervision Authority) and Eesti Pank</p> 	<ul style="list-style-type: none"> • They believe that a harmonized pan-European approach agreed-upon by all European NCAs and led by the EBA is the correct way forward. • They believe it is premature to discuss any separate roadmaps or timelines before input from EBA on duration and modalities of grace period.
<p>Finland Finanssivalvonta (Finnish Financial Supervisory Authority) and Suomen Pankki (Bank of Finland)</p>	
<p>France Banque de France</p> 	<ul style="list-style-type: none"> • Banque de France published its migration plan on SCA in its Annual report of July 9, 2019. Banque de France will provide the industry with a transition period until June 2022 (33 months) to allow cardholder enrolment in SCA-compliant solutions. • During the migration, issuers will be allowed to use legacy authentication solutions (SMS OTP + card data), but issuers are expected to increase the number of transactions authenticated with SCA. Banque de France will establish indicators to monitor migration towards SCA-compliant solutions. Relevant information will be collected through the '3D Secure' questionnaire sent twice a year to banks and aggregated by the Banque de France. • The proposed indicators take into account the penetration of SCA-compliant authentication solutions (e.g., number of cardholders enrolled in compliant solutions) and the decrease of non-compliant solutions (e.g., card data + SMS OTP). • Migration will be monitored, and the state of readiness will be reported in the Annual Reports 2020-2022. Banque de France will review the percentage of users still using SMS OTP in June 2021 in order to fine-tune the last year of migration. <p>The French Banks Federation and card schemes have put forth a proposal advocating:</p> <ul style="list-style-type: none"> - 18-month transition (until March 2021) - Progressive merchant's enrolment in 3DS v.2.1 - Soft decline for transactions above EUR 500 / with high risk of fraud as of March 2020 - Monitoring through metrics (e.g., use of exemptions, frauds, use of 3DS2.1)

<p>Germany Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and Bundesbank</p> 	<ul style="list-style-type: none"> • BaFin is in favor of a harmonized flexible enforcement period in line with the EBA Opinion, as stated in a letter dated July 10, 2019 to merchant associations, PSPs associations, and operators of credit card payment systems. • BaFin understands that German PSPs will be mostly ready on time, while only merchants are lagging behind. • An 18-month grace period in line with our position with quantitative milestones agreed with market players is a realistic outcome.
<p>Greece Τράπεζα της Ελλάδος (Bank of Greece)</p> 	<p>Bank of Greece is in favour of a transition period.</p>


<p style="text-align: center;">Hungary Magyar Nemzeti Bank (MNB)</p> <p style="text-align: center;">✓</p>	<ul style="list-style-type: none"> • MNB will grant a transition period. An 18-month period is currently considered too long, and MNB might want to end up with a 12-month transition period. The transition period may unfold as follows: • The MNB will assess each bank individually, and each bank will have to submit its own roadmap with a proposed deadline. The MNB will simultaneously publish official decisions on each submission, through which the industry will see all the deadlines for all banks. • If the EBA comes out with a proposed final deadline before September 14, the MNB will align with that. This means that no bank will be allowed a longer grace period. If the EBA does not come out with a European deadline before September 14, the MNB will set its own deadline. • The MNB has not yet decided whether to issue fines to banks. Most likely it will not. Issuers will have the possibility (most likely without a fine) to authorize non-authenticated transactions until the final deadline of the transition period (European or national uniform deadline), or until the deadline of such bank's deadline which received the longest deadline out of all. • The MNB would like to communicate to the market and come out with its decisions on each bank around September 5-7, 2019. • The MNB thinks there is little possibility for a fully harmonized European approach. • The Hungarian banking association relies on Mastercard's position paper and will ask for a 18-month transition period. Moreover, it is asking the MNB and the Ministry of Finance to actively participate in communication efforts towards consumers and merchants.
<p style="text-align: center;">Iceland Fjármálaeftirlitið (Icelandic Financial Supervisory Authority) and Central Bank of Iceland</p>	
<p style="text-align: center;">Ireland Central Bank of Ireland</p> <p style="text-align: center;">✓</p>	<p>On August 8, 2019, the Central Bank of Ireland (CBI) published a press release stating that:</p> <ul style="list-style-type: none"> • A limited migration period will be put in place. • The migration period relates to e-commerce transactions only. • The CBI will engage with the EBA and NCAs to agree a harmonized approach to the migration time periods across the EU. • The CBI will continue to communicate on this issue as it develops.

<p style="text-align: center;">Italy Banca d'Italia</p> 	<ul style="list-style-type: none"> • The Bank of Italy published on August 1, 2019 a press release confirming that: • The Bank of Italy will grant limited additional time for the industry to adapt to the SCA requirements in accordance with the EBA Opinion of June 21, 2019. • The duration of the transition period will be based on the maximum duration allowed (to be communicated by the EBA later this year). • Issuers and acquirers shall submit well-defined migration plans including cardholder and merchant communication if they wish to benefit from the transition period. Issuers and acquirers may continue to carry out their activities as they currently do in relation to authentication. • The liability rules under PSD2 apply (i.e., merchant that does not send a 3DS flow will be liable and cardholder not authenticated with SCA will have a right to a full refund unless he acted fraudulently). • The transition will contain milestones for all PSPs. Bol will monitor compliance with the milestones at the level of individual PSP.
<p style="text-align: center;">Latvia Finansu un Kapital Tirgus Komisija (Financial and Capital Markets Commission - FKTK)</p>	<p>The Financial and Capital Markets Commission is the competent authority under PSD2. Discussion with industry is ongoing</p>
<p style="text-align: center;">Liechtenstein Finanzmarktaufsicht (Financial Market Authority)</p>	
<p style="text-align: center;">Lithuania Lietuvos Bankas (Bank of Lithuania)</p>	<p>No official position has been taken yet</p>
<p style="text-align: center;">Luxembourg Banque Centrale du Luxembourg (BCL) Commission de Surveillance du Secteur Financier (CSSF)</p>	

<p style="text-align: center;">Malta Malta Financial Services Authority and Central Bank of Malta</p>	
<p style="text-align: center;">Netherlands De Nederlandsche Bank (DNB) </p>	<ul style="list-style-type: none"> • On August 8, 2019, DNB published a statement confirming that it will grant a transition period. DNB announced that it will wait for the EBA’s communication on deadlines before deciding on the duration of the transition period. • DNB believes that the transition period should be limited (6 - 12 months, probably closer to 6). The transition period is conditional to a clear market migration plan (tracked and enforced with sanctions) ensuring consistency at European level. • DNB sent draft questions on readiness to the industry before the EBA questionnaire was finalised. DNB is grateful to Mastercard for the “clear inventarisation” and concrete help to drive the ecosystem forward in the best possible way. • The Dutch Payments Association drafted a SCA migration plan based on an 18-month transition period, although more time might be needed for challenging cases. The migration plan advocates: <ul style="list-style-type: none"> - Full support of SCA through 3DS 2.2 - Full awareness of merchants and cardholders - Enrolment in authentication solutions compliant with EBA Guidelines • Quantitative milestones will monitor merchant readiness, cardholder enrolment in SCA-compliant solutions, and 3DS 2.2 penetration. • The roadmap supports Mastercard's pillars of transition period, namely (i) acquirers allowed not to send 3DS for transactions requiring SCA, (ii) issuers allowed not to decline non-authenticated transactions, and (iii) issuers allowed to use legacy authentication solutions. • The NCA should actively monitor progress and regulated entities should have guidance on how to report back to the NCA their progress (a common template is needed). Individual PSPs will have to submit their migration plan to the DNB.
<p style="text-align: center;">Norway Finanstilsynet (Norwegian Financial Supervisory Authority) and Norges Bank (Norwegian Central Bank)</p>	

<p>Poland Polish Financial Supervision Authority 'Komisja Nadzoru Finansowego' (KNF) and Narodowy Bank Polski (NBP)</p> <p>✓</p>	<ul style="list-style-type: none"> • KNF believes a transition period may be granted on a case-by-case basis and upon presentation by PSPs of a convincing migration plan. • KNF official position will be communicated soon.
<p>Portugal Banco de Portugal</p> <p>✓</p>	<p>Will probably support a transition period.</p>
<p>Romania Banca Națională a României (BNR)</p> <p>✓</p>	<ul style="list-style-type: none"> • The BNR is in favour of a transition period based on a well-defined roadmap and a clear national plan with milestones. • BNR will actively monitor the implementation of the agreed migration plans. No preferred duration so far. • The BNR is collecting data on readiness. They expect to have a complete view after mid-September.
<p>Slovakia Narodna Banka Slovenska (Slovak National Bank - SNB)</p> <p>✓</p>	<ul style="list-style-type: none"> • SNB and the Ministry of Finance are in favor of a transition period. They are also ready to provide flexibility at national level if no European approach is taken. • The length of the transition period is yet to be determined. SNB and the Ministry of Finance are creating a working group with issuers, acquirers, and payment schemes to agree on a SCA solution for users without a smartphone, as static PIN and password are seen as a poor second factor of authentication.

<p style="text-align: center;">Slovenia Banka Slovenije (Central Bank of Slovenia)</p> <p style="text-align: center;">✓</p>	<ul style="list-style-type: none"> • The Slovenian Central Bank is in favour of a harmonized European transition period. However, it is reluctant to comment on specifics such as the length of the grace period and the milestones. • The Slovenian Central Bank will soon form its opinion and will first share views with the EBA and the other NCAs in order to find alignment. • The Slovenian banking association is expected to put forward a industry-level position very soon, which will likely be aligned with Mastercard position.
<p style="text-align: center;">Spain Banco de España</p> <p style="text-align: center;">✓</p>	<ul style="list-style-type: none"> • Bank of Spain follows the EBA Opinion and is open to give extra time to all PSPs. They will align with EBA and other NCAs on duration. • They agree on the need of a communication plan to cardholders as well as merchants, and they appreciate Mastercard's effort to help the ecosystem to be compliant with the regulation. • They will not sanction PSPs with agreed migration plans. During the transition period, transactions would be treated as today and SMS OTP will be valid until a new SCA method is implemented by Issuers. • Bank of Spain is carrying out a survey between the main issuers, acquirers and merchants to know the actual SCA readiness. • The majority of Spanish issuers will present a common migration plan to the Bank of Spain asking for a 14-month grace period. This plan would also include card-present transactions. However, the Bank of Spain understands that the EBA Opinion only applies to remote transactions and will not grant any extension for contactless. • As per the last meeting between the Bank of Spain and industry, there is discussion about a 14-month period for industry to be ready + 4 months for complete rollout.
<p style="text-align: center;">Sweden Finansinspektionen Sveriges Riksbank</p>	<p>Finansinspektionen is the NCA under PSD2</p>

<p>United Kingdom Financial Conduct Authority (FCA)</p> 	<ul style="list-style-type: none">• On August 13, 2019, the FCA published a press release confirming it agrees to an 18-month transition period for online card transactions.• UK Finance issued the final version of its roadmap on August 2, 2019 proposing a 18-month period (i.e. until March 2021) to achieve industry readiness, after which active enforcement will begin and issuers will have to soft-decline transactions without 3DS. UK Finance also proposed to give more time to issuers, but this has not been endorsed by the FCA: 24-month period to issuers to develop long-run strategic authentication solutions:<ol style="list-style-type: none">1. App + Biometrics (preferred)2. OTP + behavioral biometrics, with knowledge factor used as fallback. <p>Progresses will be monitored through milestones:</p> <ul style="list-style-type: none">• March 14, 2020: increasing % of merchants should be on EMV 3DS• September 14, 2020: card schemes should mandate that by that date issuers and acquirers support 3DS 2.1/2.2. 90% of merchants should be on EMV 3DS.• March 14, 2021: Active supervision by NCAs and soft decline by issuers should begin. 100% of transactions should be SCA-compliant and properly flagged <p>Additional time (3-year period) may be given to the hospitality and travel sectors. UK Finance is setting up a Programme Management Office (PMO) to support the managed rollout and deliver additional planning and metrics on behalf of the industry.</p>
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