

*PSD2 & beyond:
From imagining the future to filling in the gaps*

EUROPEAN ACQUIRER SURVEY | SEPTEMBER 2021



Summary

Welcome to the latest installment in the Allyiz-Ekata qualitative research into PSD2 SCA rollout, market status, and perceptions. In this study, we are surveying payments processors with a strong focus on European ecommerce.

Here are some top highlights we're sharing in this report:

33% PSPs see SCA as a positive change in the ecosystem

40% PSPs say the change has been marginal

53% PSPs feel that authorisation rates have fallen

- Some leading European markets are showing poor performance on 3DS 2.0 and certain merchants are reverting to 3DS 1.0.
- The market is still seeing performance fluctuations in authorisation rates, but the overall trends are positive.
- Many perceive authorisation rates are dropping because of the constant firefights, which are still happening at merchant and country level.

Some drawbacks: UX, friction, and the dropped revenue that merchants feel. Some merchants are not impacted, while others are significantly impacted.

The system of identity verification has improved significantly from the beginning of the year.

Italy and Spain have been the most challenging – merchants returning to 3DS 1.0 has impacted acceptance levels.



Report Overview

Goal:

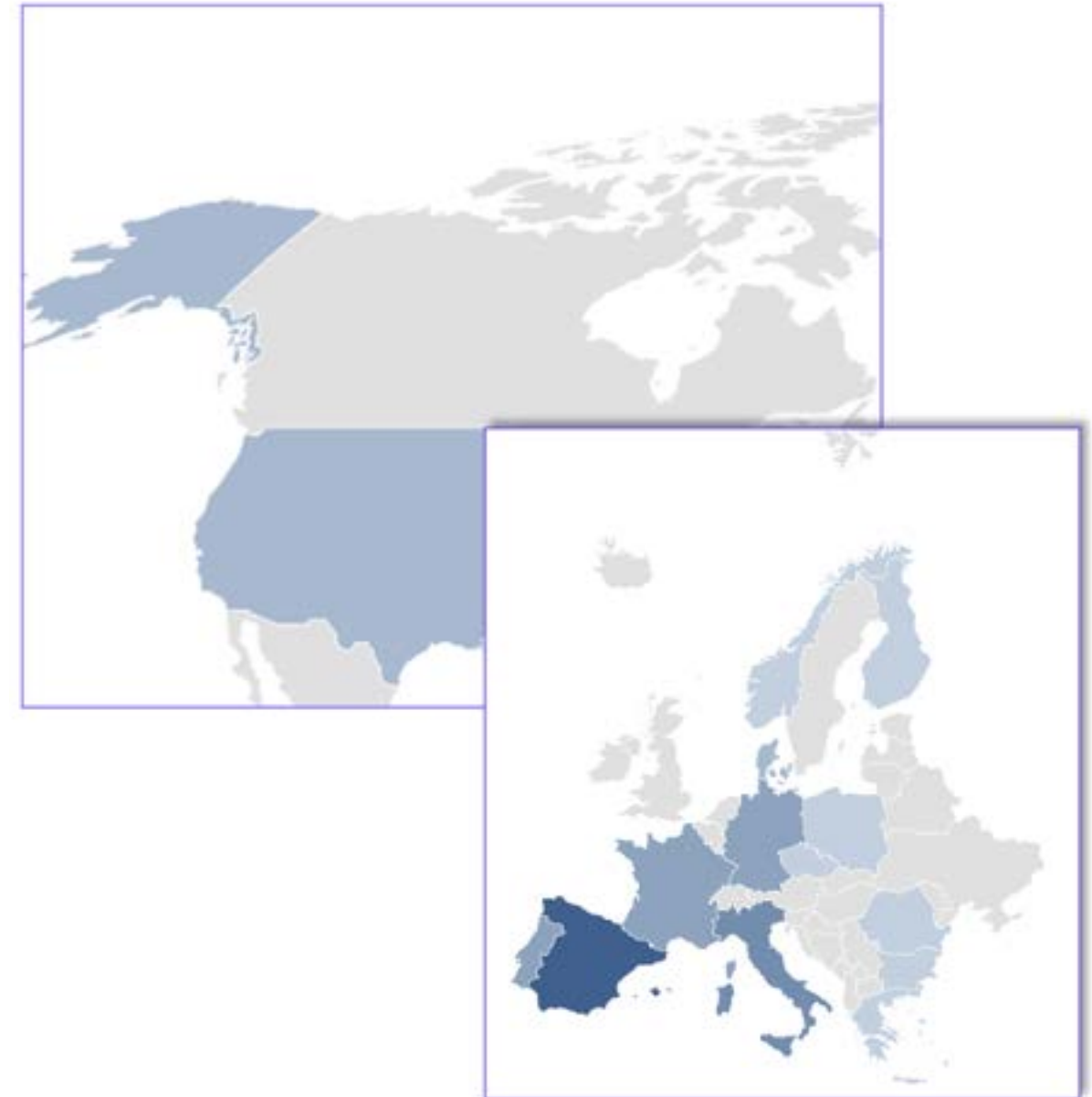
Understand perception, trends, and key data points on SCA adoption.

Respondents:

- 15 acquirers with good ecommerce merchant base.
- Representation from United Kingdom, Germany, Spain, France, Luxembourg, Netherlands, Portugal, and United States.

Roles:

- Mainly Product and Risk Managers.
- Sales and Account Managers who show increased expertise on SCA.
- One in three participants had product roles related to SCA.

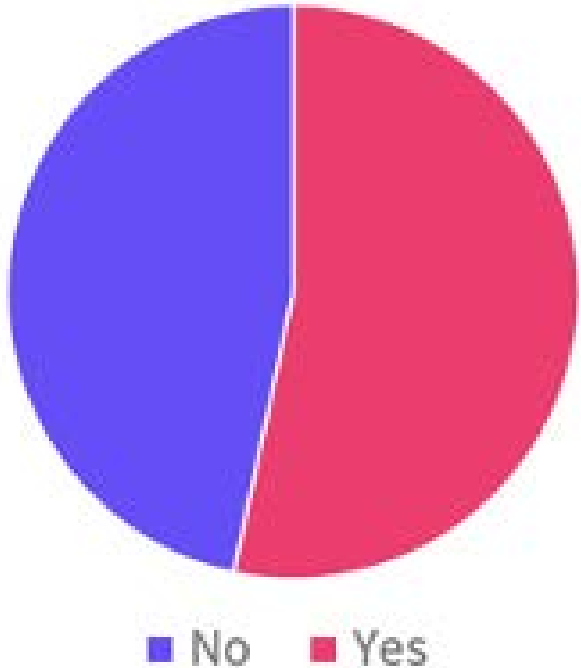




Findings

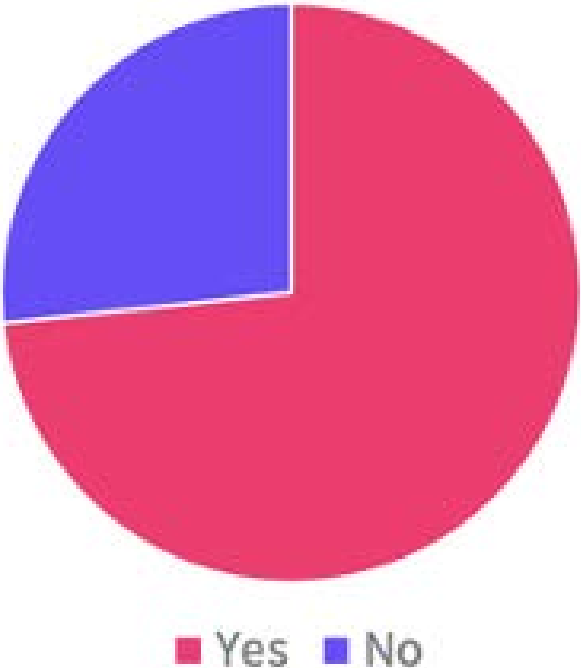
1. Did SCA reduce overall fraud?

- Fraud may have migrated elsewhere, but there are very few data points available to put together broader context.
- There is little data available to describe how fraud has changed outside of the EU context (due to the intentional regional focus of this research).
- 40% of participants feel that fraud trends are of high importance and see their response to be a market differentiator.



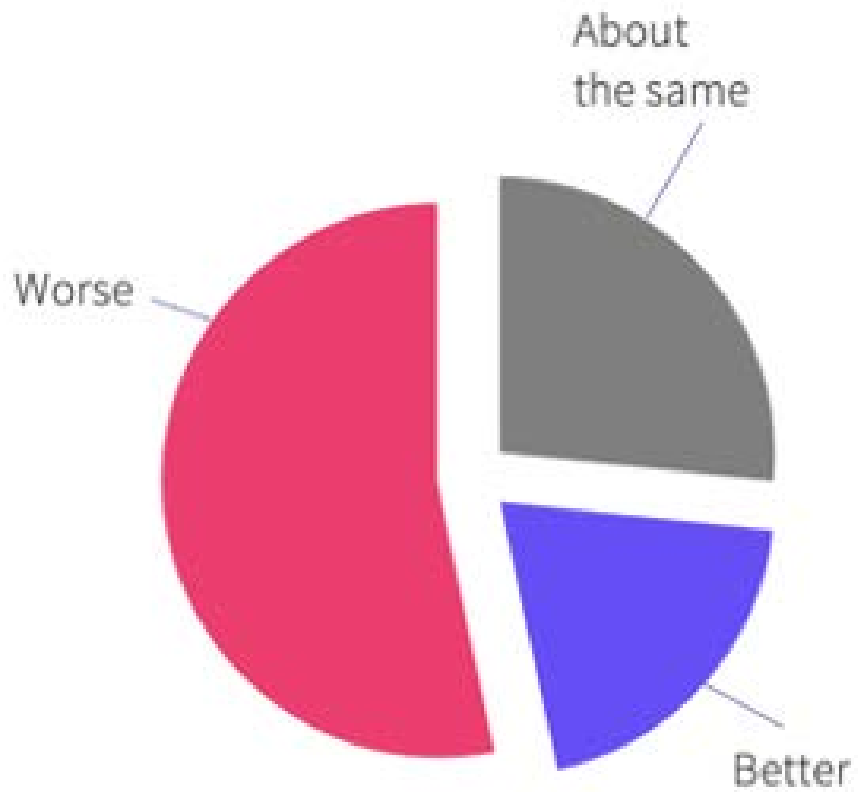
2. Has fraud migrated?

- 63% feel that fraud has migrated to new methodologies since SCA came into force.
- For those who do not believe that fraud has migrated, 75% are on the Iberian Peninsula.
- It's likely that fraud has migrated to non-payment fraud and PSPs don't have direct visibility / insights into non-payment related fraud .



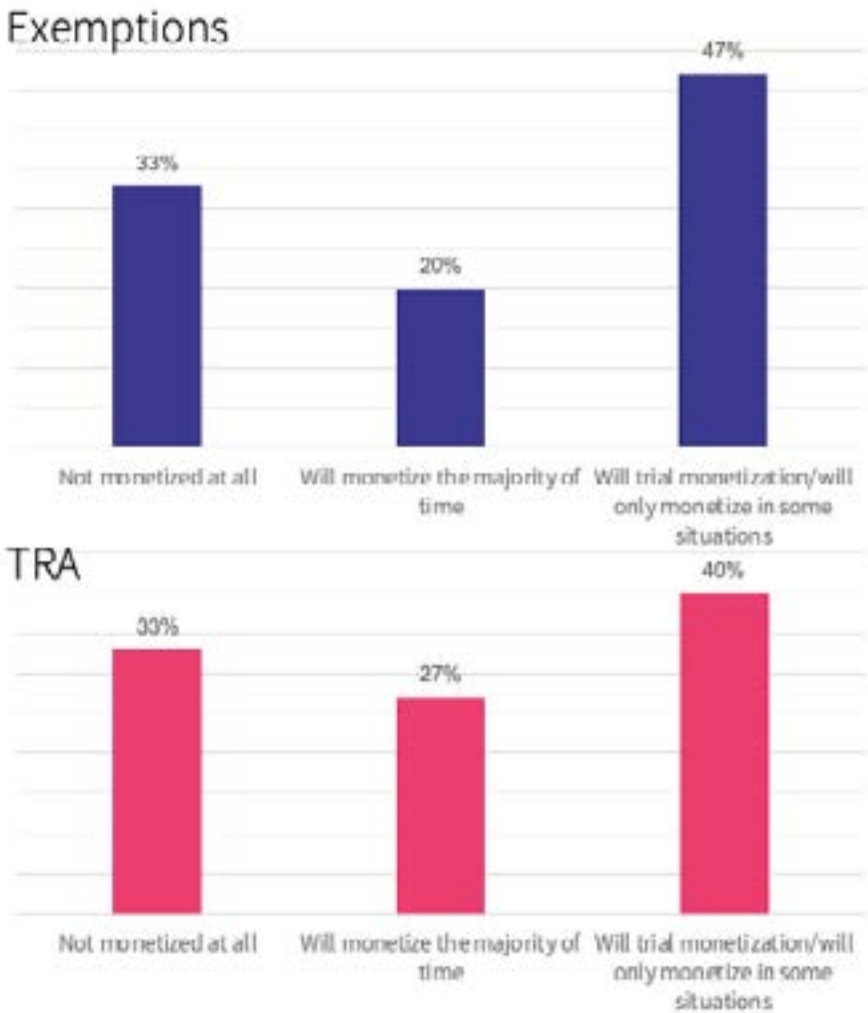
3. What has the impact been on authorisation rates?

- 53% of participants feel that authorisation rates have fallen.
- 20% believe that rates have improved.
- Where merchants are mainly European (not global), their performance was strongest.
- Rates still vary by country, with the UK performing well despite PSD2 delays, and Spain performing worse (but still better than anticipated).
- Digital checkout experience is most challenging for first time customers.



4. Will you be able to monetise fraud tools/solutions?

- Goal with current fraud tools is to help merchants and add value.
- Monetisation will dilute over time as more PSPs offer solutions here.
- Strategy may change in the future; most acquirers are developing capabilities here but are largely in “wait-and-see” mode when it comes to charging.





5. What future evolutions do you see for SCA?

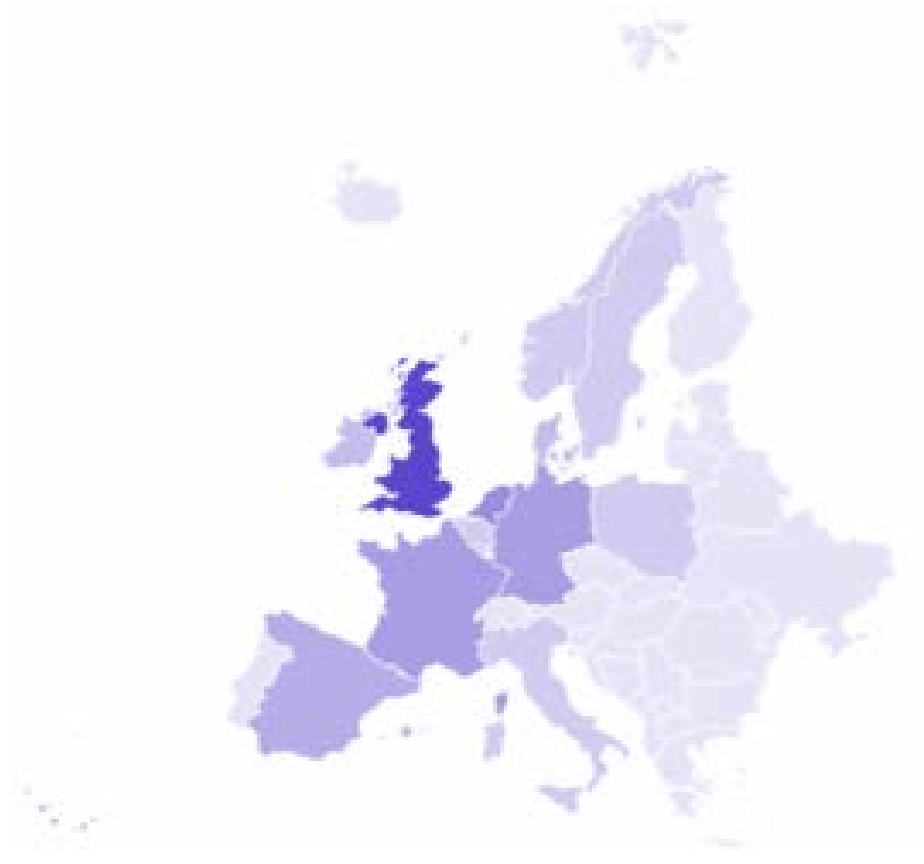
- Better tools to understand how the process is going.
- Future evolutions need to cover more channels.
- Stability in terms of full implementation and clean data are key.
- Once stability is reached, additional innovation will be needed to help accelerate results.

More seamless, more combined technologies for devices as well as authentication to enable non-laptop and mobiles to interact.

Additional toolsets to help user experience in authentication and further exemptions.

6. Who are the top three and bottom three countries in SCA implementation?

- UK leads the pack with 87% of participants listing them in top three.
- Several countries listed in bottom three, including France, Spain, Italy, Czech Republic, Poland, and Finland, etc.



7. What metrics do you track? What metrics do you share with your merchants?

- Metrics continue to be a challenge, but most PSPs said they have high level and merchant-specific data available.
- For most acquirers, merchants need to request performance data. A key frustration point is it's not shared proactively.
- Many PSPs are holding back sharing certain metrics due to uncertainty in data integrity and accuracy. They anticipate this will change as processes settle down.
- More visibility from issuers would assist everyone in understanding the landscape (both to help troubleshoot merchant issues and fight fraud).

- *Conversion rates*
- *Number transactions triggering SCA*
- *Exemption rates & types*
- *Authentication rate (by method)*
- *Breakdown by card type, issuer, country, amount...*
- *Soft declines*
- *Fraud rates*
- *3DS version used*
- *Chargeback rates*
- *Dispute rates*

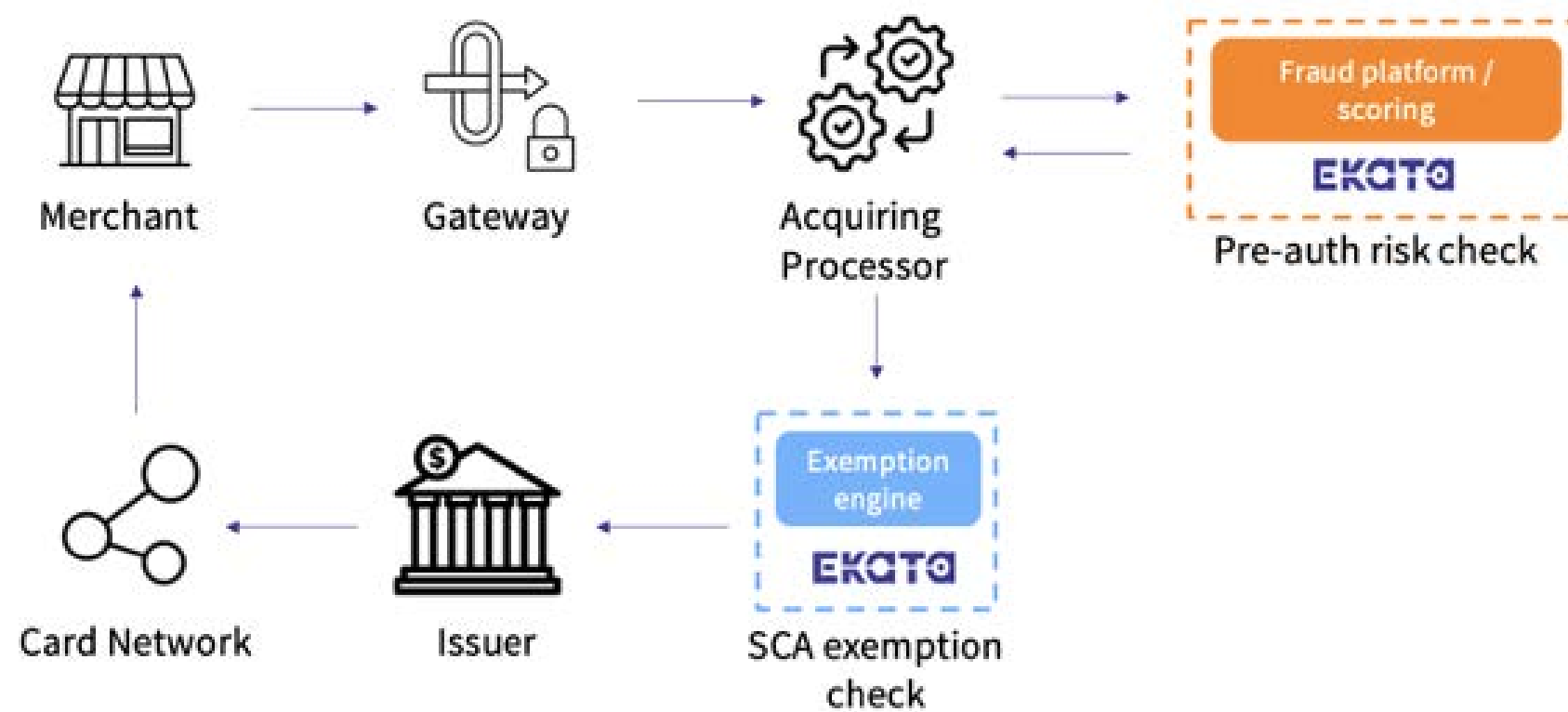


Wrap-Up

Ekata helps acquirers improve approval rates, remove friction, and reduce false positives

Ekata's global data helps acquirers optimise for approval rates in two key parts of the authorization process:

- **As part of fraud platforms,** our real-time APIs can be used to run a quick, inexpensive check on the risk of a transaction. Our data is model-ready, whether you're using rules or machine learning.
- **As part of your exemption engine,** to quickly identify good and bad customers and make a confident decision about who should be submitted to additional friction to prove their identity.



A decorative graphic on the left side of the page, consisting of a network of white lines connecting various colored dots (blue, yellow, orange, purple, green, cyan) in a complex, web-like structure.

WHAT'S NEXT?

Making the Change

About Ekata

Ekata provides global identity verification solutions via enterprise-grade APIs for automated decisioning, and Pro Insight, a SaaS solution for manual review for cross-border businesses to grow revenue by maximizing their predictability of good transactions. Our product suite is powered by the Ekata Identity Engine (EIE), the first and only cross-border identity verification engine of its kind. It uses complex machine learning algorithms across the five core consumer attributes of email, phone, name (person or business), physical address, and IP, to derive unique data links and features from billions of real-time transactions within our proprietary network and the data we license from a broad spectrum of global providers. Businesses around the world including checkout.com, Microsoft, Klarna, and Airbnb leverage our product suite to increase approvals of more good transactions, reduce customer friction at account opening, and find fraud.

Contact us to learn more. <https://ekata.com> | 1.888.308.2549

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