

Febelfin

The Belgian Strong Customer Authentication (SCA) Migration plan: what does it mean for me as a merchant?

To whom is this communication addressed: This communication is addressed to **all merchants offering goods and/or services via online channels to Belgian cardholders**.

What is Strong Customer Authentication (SCA): A **new set of rules** that will change how consumers confirm their identity when making purchases online.

What is the end-date of the migration plan: The end-date is **31 December 2020**. These deadlines will not change.

Why does it matter to you: If you do not take action, e-commerce card-based payment **transactions that are non-compliant will be declined**. Implementation of these new rules may require testing and specific changes to your payment process. We therefore encourage you to **take immediate action** to ensure you are not at risk of declined transactions which may impact your business.

What should you do: **Urgent action should be taken by businesses with an online presence**. You should contact your payment provider such as your acquirer or gateway to discuss if changes are needed to the payment solutions you offer to your online customers.

Call to action

This communication provides important information for businesses of all sizes looking to avoid customers experiencing declined e-commerce transactions after the EU's Strong Customer Authentication enforcement deadline of 31 December 2020. After this point card issuers will begin to decline non-compliant transactions. We actively encourage businesses with an online presence to read the content of this communication and to get in touch with their payment provider (otherwise known as an acquirer or gateway). This should be done with urgency due to the implementation lead times and testing period required.

Ensuring timely readiness

In order to avoid a repetition of 14 September 2019, the Belgian industry has decided to include a soft decline mechanism in the roadmap to encourage you to do the necessary changes to your processes before 31/12/2020. This translates in progressively soft declining transactions that come through authorisations and that are not SCA compliant by redirecting them to the authentication. This to encourage the use of exemptions flags as well as 3DS. The threshold will be amount based:

- **25 August 2020:** The industry TF decided to start to soft decline high value transactions (threshold 1500 euro).
- **22 September 2020:** The Belgian industry will align with the Netherlands and lower the threshold to 250 euro.
- **19/10/2020:** Threshold will be lowered to 30 euro.
- **17/11/2020:** Threshold will be lowered to 0 euro.

The industry TF set 17/11 as a deadline to avoid new releases in the 'freeze period' and guarantee a stable payment landscape during the end of the year period. **After this date, transactions that are not compliant with the SCA requirements will be declined.**

Background

From 14 September 2019, changes were introduced to online payments in order to provide further protection to customers. Under the Payment Service Directive 2 (PSD2), Strong Customer Authentication (SCA) is required where a payment service user (customer) initiates an electronic payment transaction.

However, the European Banking Authority (EBA) allowed for regulatory flexibility on enforcement¹ until 31 December 2020. The aim was to ensure all parties moved towards full compliance in an orderly manner thus avoiding negative impacts for both consumers and merchants.

Based on above-mentioned EBA opinion, the National Bank of Belgium (NBB) decided to grant a grace period to the Belgian market on the implementation of Strong Customer Authentication (SCA) for e-commerce transactions (cfr. Circular Letter NBB_2019_23)². **In the migration plan the deadline was set at 31 December 2020** (in line with the deadline set by EBA).

¹ EBA opinion issued in October 2019 provided for enforcement of the new rules to start after 31 December 2020. Most member states have aligned to this deadline.

² https://www.nbb.be/doc/cp/nl/2019/20190828_nbb_2019_23.pdf

All merchants, acquirers, gateways, and issuing banks or payment service providers must be ready to support SCA from this date, to avoid consumers experiencing declined e-commerce transactions. In order to avoid a loss of business, we encourage all parties to read this communication and to take action.

This communication sets out what is required, and by when so that you can be ready for this change. For more information on the agreed managed rollout in Belgium, please visit <https://www.nbb.be/nl/artikels/mededeling-nbb201923-eba-opinie-inzake-de-elementen-van-sterke-clientauthenticatie-onder>.

What is Strong Customer Authentication?

Strong Customer Authentication (SCA) is a new set of rules that will change how consumers and business customers confirm their identity when making purchases online to help further protect them from fraud. Following its implementation, consumers shopping, or banking online will often need to undertake an extra step to confirm their identity. For example, the card issuer or provider (for example a bank) may use one of a number of ways to verify a purchase or login, such as the use of a card reader or the use of a smartphone app. Under the new rules all parties are required to make the necessary changes to enable consumers to authenticate their actions in a manner compliant with the underlying regulation.

What does SCA require?

SCA will be required for all online (website or app) card-based payments, unless one of the limited exceptions or exemptions³ allowed under the rules can be applied. For card payments this means that e-commerce transactions which cannot be authenticated, and which do not benefit an exemption will be declined after 31 December 2020.

For merchants, this means you will need to **work with your acquirer or gateway** to ensure you upgrade your payments process to support a technology called 3DSecure, in order to be able to cater for the new requirements. This often requires a testing process and potentially testing slots, so you should engage as soon as possible to avoid further delays.

³ Please refer to the [Regulatory Technical Standards on strong customer authentication and common and secure open standards of communication](#) for more information on SCA exceptions and exemptions

If I am a merchant/business with an online presence what do I need to do?

You need to speak to your payment providers (e.g. acquirers, gateways) and where relevant, your trade associations, to understand the steps you need to take in order to prepare and meet the agreed timeline, including understanding:

- a) which version of 3DSecure to use (the technology which enables SCA)
- b) which exemptions you might be able to use to encourage a better customer experience, and how to use these
- c) dates and windows for testing your checkout process/website
- d) date for go-live (take into consideration the progressive implementation of the soft decline).

Merchants are encouraged to understand their plans as soon as possible due to the amount of change that might be required and the potential negative impact if no action is taken.