

Strong Customer Authentication - out of scope and exempt transactions

Strong Customer Authentication (SCA) is a European regulatory requirement under PSD2, designed to make paying online more secure



SCA requires customers to authenticate themselves using two factors prior to making an online payment



However, SCA does not need to be applied to all transactions; some transaction types are out of scope, and exemptions may be applied in some other cases

Identifying out of scope and exempt transactions

By correctly identifying out of scope transactions and applying exemptions, merchants and issuers can minimise friction and reserve SCA for when it is needed

Step 1 | Is the transaction out of scope of SCA?

There are 4 key out of scope transaction types



Merchant Initiated Transactions (MITs)

Where a cardholder has pre-agreed (and pre-authenticated) a future transaction(s), and may not be available to authenticate at the time that it is initiated



Mail Order, Telephone Order (MOTO)

MOTO transactions are those made remotely, via mail or telephone



One leg out Transactions*

Defined as those transactions where one of the issuer or acquirer is outside of the EEA

* Applied on a best-effort basis



Anonymous Transactions

Customers do not need to complete SCA when an anonymous payment method is used, e.g. a gift card



In scope - further checks required

If the transaction is in scope, it still could be exempt from the requirement for SCA



Out of scope - no SCA required

Where a transaction is flagged as out of scope, SCA is optional, but merchants may still choose to apply it

Step 2 | Can the transaction benefit from an SCA exemption?

There are 4 exemption categories that can be applied by the acquirer or issuer



Transaction Risk Analysis (TRA)

The TRA exemption applies to all transactions deemed low risk, based on a Transaction Risk Analysis (TRA) assessment



Low Value Payments

Where TRA is not possible, it may be possible for the merchant or acquirer within certain cumulative limits to apply a low value exemption on any transaction below €30



Trusted Beneficiaries

Customers can add merchants to a trusted list, where SCA is generally only required on the initial transaction. Visa facilitates this through Visa Trusted Listing



Corporate Payments

The secure corporate payment exemption can be applied to all non-personal transactions that have been initiated from secure corporate environments on eligible cards



If no exemption applies, SCA is required

If a transaction is in-scope and no exemption could be applied, SCA is required and the customer will need to authenticate themselves via two factors as part of the checkout flow. If SCA is not performed, the transaction will be declined



Exemption(s) apply - SCA not required

The issuer has the final say on whether an exemption is applied. Where this is the case, no SCA is required

Issuer and merchant responsibilities

Merchants/acquirers

It is important that merchants and acquirers are able to identify and clearly flag transactions that match the criteria for being out of scope or exempt. When in scope, authentication must be performed and EMV 3DS must be supported

Issuers

Issuers should not request authentication ("soft decline") while authorizing transactions which are flagged as out of scope, as the customer will not be available to authenticate themselves. It is recommended that Issuers consider applying exemptions on low risk transactions where exemptions may apply

