

TransUnion<sup>®</sup>  
Formerly iovation

4STOP



## 4Stop PSD2 eBook:

Building greater customer  
trust, loyalty and retention  
with PSD2

TransUnion Partners

# Introduction

Many businesses are facing challenges with the new Payment Service Directive 2 (PSD2). Not only is there the implementation of the required verification and authentication processes, but there are fears associated with the impact that newly required Know-Your-Customer (KYC) steps might have on the customer experience and engagement levels.

As experts in risk mitigation, 4Stop and TransUnion will share an array of strategies to solve PSD2 implementation with minimal impact to your business, discuss how to manage the impact of PSD2, and prioritize compliance easily.

## What We Will Cover

**Landscape:** Current trends and overall impact of PSD2, why it is important and what to expect.

**Harnessing the Benefit:** What changes have been made to PSD2, and how they will benefit businesses' customer journeys.

**PSD2 Implementation:** How can business minimize the friction within the customer journey in adherence with PSD2 and SCA.

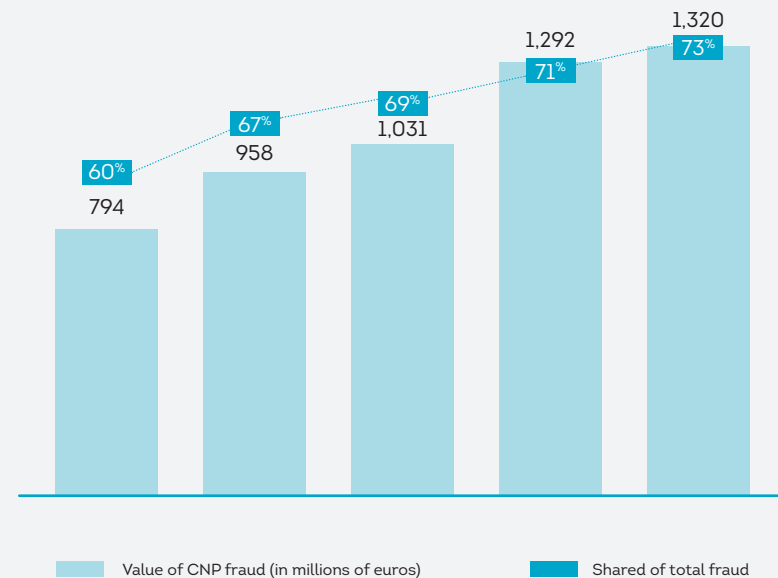


# Landscape

## Market Trends

PSD2 requires better security to protect consumers and businesses as a rise in fraud and online purchases have increased in the global market with an expected spend growth of 14% year-over-year to hit \$4.5 Trillion in 2021 (1). Storing customers personal and financial information is risky without the adopting safety precautions. In 2018, there was an 11% increase in data breaches. The arrival of application programming interfaces (API) has influenced the creation of PSD2 to facilitate third-party access to customer bank accounts and to prevent data breaches and synthetic identity fraud.

## CNP Fraud in SEPA, 2012 to 2016



Source: European Central Bank (ECB)

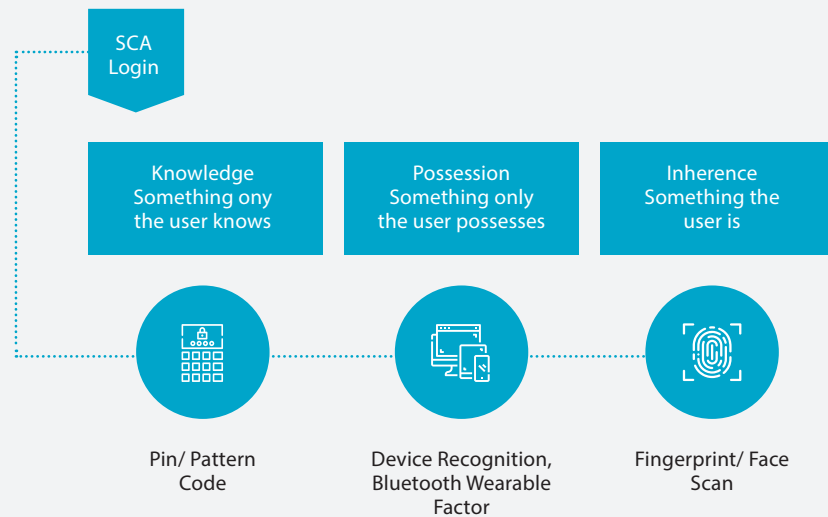
# Landscape

The ongoing shift of Card-Not-Present (CNP) fraud has been increasing as consumers are making their purchases via mobile and storing their card information directly to their account. In our current climate our partner 4Stop found in their data that online sales have increased 52% compared to the same time frame a year ago, with mobile shopping in the US alone increasing by 7.7%.

Consumers are also at high risk of having their information stolen during their customer journey. The UK National Fraud & Cyber Security Center reported Coronavirus related fraud reports increased by 400% in March 2020. PSD2's main objective is to make cross-border payments as easy, efficient and secure as possible for the consumers. As for businesses, PSD2 wants to reduce the cost of transactions, and create innovative solutions for the payment services industry.

## Strong Customer Authentication

Strong Customer Authentication (SCA) is defined as authentication based on the use of two or more elements:



Source: <sup>1</sup> <https://www.forbes.com/sites/jordanmckee/2018/09/11/global-digital-commerce-sales-to-near-6-trillion-by-2020/#57830ba14c5a>

Source: <sup>2</sup> <https://www.ncsc.gov.uk/report/>

# Landscape

Payment service providers must take specific actions to become PSD2 compliant, by adopting multi-factor authentication for all electronic transactions. Strong customer authentication (SCA) consists of three elements, and PSD2 requires that from those three elements PSP's must choose two out of three to be included before a customer's purchase.

## Three Elements

**Knowledge:** Something only the user knows (ex: pin or pattern code)

**Possession:** Something only the user possesses (ex: device recognition/mobile/smartwatch)

**Inherence:** Something the user is (ex: face scan, fingerprint)

A common concern and question that merchants ask themselves is if a customer purchases a small priced item do they need to include SCA for every purchase? That answer is no. To retain control over the buyer's journey merchants will need to work cooperatively with payment

processors in order to reach the highest exemption thresholds. Merchants will be able to expedite payment processing for the higher volume of transactions, i.e. all transactions below €500 vs. only transactions below €30. Merchants will also have cost savings due to reducing the overall number of transactions subject to high cost SCA checks. Lastly, merchants can reduce friction by only transactions above the exemption threshold requiring step-up authentication.



# Harnessing the Benefits & Optimise Strategies

Financial institutions are under increasing pressure from consumers to offer omni-channel customer access (e.g. accessing financial accounts over mobile devices, using interactive voice response (IVR), on the web, and in person at a branch). By incorporating SCA requirements it broadens how companies think about consumer authentication. Whether it is creating secure login zones by including geo-fencing or time-fencing, or improving your configurable options by driving all authentication through one mobile experience. This creates an omni-channel experience while securing your customers experience

Traditional authentication approaches can increase your risk exposure by centrally storing credentials that can be stolen, leading to a great risk of data breaches and the release of your customers information. PSD2 reduces your odds to have a data breach and prevents the risk

of facing possible fines of upwards of €20m. In the end the merchants are gaining an edge by staying in PSD2 compliance. Merchants can maximize on the exemption requirements, reduce friction and keep customers happy.

Optimising the customer journey at every touchpoint is important as it ensures that you are in compliance with PSD2 and SCA while also keeping the bad actors out and reducing friction for loyal customers. Including 4Stop and TransUnion (formerly iovation) with Know-Your-Customer (KYC) and multi-factor authentication will prevent top fraud trends such as account takeover (ATO) at login, call center fraud, and card not present fraud. By taking on a risk-based approach and integrating your platform with 4Stop and TransUnion you are responding to the European Banking Authority (EBA) requirements of completing the objectives under PSD2 and reducing overall fraud.

## Key Takeaways



Impact of PSD2 supports the fight against fraud and ensures the customer's information is secured.



PSD2 is more than a threat, businesses can benefit from reducing friction and retain control of the customer's journey.



Strong multi-factor authentication and fraud prevention with 4Stop & TransUnion provides an easy solution to being in compliance.



To learn more about PSD2 from compliance officers from 4Stop and TransUnion watch [here](#).



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## About TransUnion Global Fraud & Identity Solutions

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing a comprehensive picture of each person so they can be reliably and safely represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good®.

TransUnion Global Fraud & Identity Solutions unite both consumer and device identities to detect threats across markets while ensuring friction-right user experiences. The solutions, all part of the IDVision with iovation suite, fuse traditional data science with machine learning to provide businesses unique insights about consumer transactions, safeguarding tens of millions of transactions each day.

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