



FAO:
Mario Nava, Director for Horizontal Policy at DG FISMA
Eric Ducoulombier, Head of the Retail and Payments Unit
European Commission
Rue de la Loi 170/Wetstraat 170
1049 Brussels
Belgium

Merchant Risk Council,
1-3 Burton Hall Park,
Burton Hall Road,
Dublin 18,
Ireland.

Friday 15th May 2020

Dear Mr. Nava and Mr. Ducoulombier,

I hope you, your families and the staff at the Commission are keeping safe and well during this difficult time.

We are writing to you regarding the deadline for completing the implementation of Strong Customer Authentication (SCA) requirements under PSD2. We have been consulting with our members (who include 85% of the largest eCommerce global retail brands (e.g. Zalando, LVMH, Inditex, Adidas, etc.), plus acquiring processors, PSPs, card issuers, card schemes and consulting firms; as well as 50+ law enforcement agencies) and wish to relay to you what we are hearing in terms of the reality of meeting a December 2020 deadline for SCA implementation, especially during these unprecedented times.

Our members have worked hard over the past few years to ensure the deadline was met by September 2019 and have been working since then to ensure a launch that will create the least amount of disruption possible, to the industry and economy. We are acutely aware the Commission has heard the collective retail industry voice over that time and has been fair and flexible with the implementation deadline. Over the past few weeks and months, customers of ours, including the largest global eCommerce brands, have been carrying out market to market testing in Europe on the required version of 3D Secure. Overall, results would suggest the ecosystem is just not ready.

While these merchants can execute to the SCA mandate, it is clear from testing that significant issues exist across many players which need to be rectified to ensure proper



functionality. There is ongoing dialogue between the large actors. The same gaps are appearing, as merchants compare notes and data from their testing phase.

For most of these large merchants, such testing consumes a lot of time and resources with multiple teams and organisations involved in measuring data and producing test results. These large merchants are in the privileged position to be able to do this testing, to iron out any bugs and reduce risks. Small merchants are not so lucky. We believe, without a drastic immediate improvement, the eCommerce industry across Europe will be seriously damaged. We believe, considering these findings, the current deadline is simply not workable.

As you're undoubtedly aware, because of the COVID-19 pandemic, all our member organisations are operating on limited resources. Everyone has had to refocus their attention and redirect business strategies to remain open and in business. For most companies, this has meant operating with a much-reduced workforce either due to illness, layoffs or necessary furloughs. eCommerce merchants are experiencing greater demand than ever before. There are multiple dependencies and while this added pressure is a reality for our members, all are required to work together to implement SCA.

The impact of COVID-19 on that ecosystem is proving to be a great challenge to enable those businesses to deliver a controlled and effective implementation.

We are aware of the letter you received from EPIF last week and we are very much supportive of their message. As with EPIF, we are simply asking for a short delay to the deadline so that everyone in the ecosystem can work to meet their legal requirements effectively.

We also note last week's announcement by the FCA to extend the SCA deadline by a further six months in the UK. It's true to say an effective implementation of SCA includes a timely



and managed rollout by all relevant stakeholders. Such a delay in the UK will have a knock-on effect on the rest of the EU operators.

We implore the European Commission to consider appropriate measures to ensure a seamless delivery of SCA implementation across the EU. We agree with EPIF that an additional six months for the market to be fully SCA ready is a reasonable ask. As a payment organisation, focussed on fraud prevention, risk management and enabling efficiencies (e.g. avoiding a high level of declines by avoiding a poor rollout) in retail markets, MRC and our members remain committed to the implementation of SCA. We want the rollout to be done well and collaboratively. A deadline in 2021 would help our members ensure this important implementation is done well and therefore deliver its intended purpose.

We welcome your comments and are happy to take any questions you may have.

Sincerely,

Úna Dillon
Managing Director
Merchant Risk Council Europe

About the Merchant Risk Council (MRC): The MRC is a global membership organisation connecting eCommerce fraud and payments professionals through educational programs, online forums, career development, conferences, and networking events.

Board of Directors: Brad Mares Target (Chairman), Jeff Wixted Accertify (Treasurer), Carmen Honacker Sony (CoSec), Debbi Abood TJX, Peter Bayley Visa Europe, Casey Bullock Worldpay/FIS, Lee Clifton J.P. Morgan Merchant Services, David Redmond Inditex, Tina VanBrunt Big Fish Games.



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
MARKETS UNION

Horizontal policies
Retail financial services

Brussels
FISMA.B.3/NB

Ms Úna Dillon
Managing Director
Merchant Risk Council Europe
una@merchantriskcouncil.org

Dear Ms Dillon,

Thank you for your letter of 15 May addressed to Director Mario Nava and myself, relating to the Covid-19 impact on the application of Strong Customer Authentication (SCA) to e-commerce card-based transactions. In the letter, MRC asks for an additional six-month delay to be granted to the SCA migration.

The Commission acknowledges the challenges that this pandemic is causing to the retail business and the difficulties to adapt IT systems in the current circumstances. The EBA already addressed some of these operational challenges through its statement of 25 March 2020, lifting the first deadline for NCA's obligation to report by 31 March 2020 on industry's readiness to meet the Strong Customer Authentication requirements for e-commerce card-based transactions.

Without denying the impact of Covid-19, we wish to stress that rules on Strong Customer Authentication have been known to the market since at least November 2017 and clarified at multiple occasions by the EBA, either with targeted guidance¹ or through its Q&A tool. We have also been constantly engaged in discussions with NCAs, the EBA and all stakeholders to accompany the migration of the payment ecosystem to SCA compliant solutions and to shed light where it needs to be shed.

Strong Customer Authentication is to be applied since 14 September 2019. The EBA's June and October 2019 Opinions do not affect the validity of this legal rule. They only allow NCAs to introduce some flexibility in its enforcement until 31 December 2020. These exceptional and unprecedented EBA Opinions were taken against the backdrop of the very low level of preparedness by the e-commerce ecosystem before 14 September 2019. There was, in 2019, a clear absence of awareness about the forthcoming SCA obligations in many stakeholder communities including among merchants. This is no longer the case.

These Opinions were timely and opportune. They have nonetheless created an uncertain and uneven legal environment for e-commerce card payments. It is the Commission services' understanding that the EBA has currently no intention to extend their validity, considering that industry has had enough additional time to comply with their obligations. In light of this, the Commission would not support any further delay of the

full application of strong customer authentication, which European consumers want as an essential tool to combat online fraud.

The Covid-19 pandemic has increased the volume of e-commerce and consequently of online payments. It can be expected that many EU consumers will maintain these new payment habits. This would call more than ever before for robust and innovative strong authentication methods. Delaying them further could undermine customer trust in e-commerce, and slow down the deployment of new and innovative state-of-the-art authentication methods in the EU.

EU SCA rules have been crafted in a balanced manner, providing for several adequate exemptions where there was a genuine need, preserving the two imperatives of ensuring a smooth and convenient customer journey whilst combatting online fraud. We should all prepare for and look forward to their full introduction on 1 January 2021, accompanied of course by adequate communication campaigns informing consumers and merchants, which I trust your organisations and your members would launch in due course.

Yours sincerely,

(e-signed)

Eric DUCOULOMBIER
Head of Unit

Contact:

Nicolò Brignoli, Telephone: +32 229-91167, nicolo.brignoli@ec.europa.eu

ⁱ<https://eba.europa.eu/documents/10180/2137845/Opinion+on+the+implementation+of+the+RTS+on+SCA+and+CSC+%28EBA-2018-Op-04%29.pdf>



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Eric Ducoulombier, Head of Unit, Retail and Payments,
Unit European Commission,
Rue de la Loi 170/Wetstraat 170,
1049 Brussels,
Belgium

MRC,
1-3 Burton Hall Park,
Burton Hall Road,
Dublin 18,
Ireland.

Monday 29th June 2020

Dear Mr. Ducoulombier,

I am in receipt of your response, dated 16th June, to my letter regarding our concerns on the readiness of the EU eCommerce market for SCA compliance. Thank you for taking the time to reply.

We fully understand the regulation is in place and the industry has the current additional time to comply with the regulation due to the EBA's leniency and allowing NCAs to introduce flexibility in its enforcement until 31 December 2020.

To be clear, the MRC and our members are excited about the promise of SCA and 3D Secure. Better security for consumers, fewer fraudulent transactions, and increased authorisation rates are something we all want. Prior to the pandemic, the industry was making progress in the right direction to hit the December 2020 deadline. Unfortunately, between the pandemic and the economic downturn, we do not believe the industry will be ready by then.

Recently we heard from issuers, on the challenges of 3D Secure, that with significant growth in eCommerce, as a result of the pandemic, there are many *new* merchants moving from card present sales to eCommerce and there have been bumps in the road. A case example was where a consumer placed a pre-order for grocery collection. The transaction failed on the day of pickup and the consumer was unable to get their groceries on arrival. We all need to remember, as we look at the live data from our merchants, that each decline of a good consumer is not just a statistic, but a person who needs goods or services during a global pandemic.

It must be said, as we review the merchant data, we see a lot of great progress but before the NCAs start to enforce compliance in January, our ask is that benchmarks are analysed on a country by country basis and the impact to the consumer is considered.

You refer, in your letter, that delaying the implementation of SCA could undermine customer trust in eCommerce. Our concern, and that of our members, is that enforcing SCA compliance from the end



of December will currently cause major mistrust in the industry as large numbers of transactions are declined – based on the real and current data of our members such as Amazon, Microsoft, Sony, Google, etc. We have seen no evidence of research from consumer groups to suggest consumers are expecting change from January 2021.

We wish to make clear that while many of our merchant members are already SCA compliant and have been since 2019 in most cases, the current problems lie somewhere in the ecosystem. We are working to drive efforts over the next six months together with card issuers and merchants to find where those issues lie and to fix them. MRC ran an open webinar on 25th June with representatives from Google, Microsoft and Amazon to discuss in detail their SCA/ 3D Secure data, to talk about the current roadblocks and the potential solutions if all parties work together. (Link to the MRC webinar for your interest: <https://bit.ly/38fUxOf>)

The MRC is ready to work with our members to gather merchant data for any country wishing to benchmark and assess their readiness for an end of year deadline.

Readiness is the top priority for all participants in the industry, especially the NCAs. Our ask is for the deadline to be a little more flexible for at least another six months so that we can deliver a secure, safe, frictionless and ready change for the consumer.

We remain at your disposal for any questions.

Sincerely,

Úna Dillon
Managing Director, Europe
Merchant Risk Council (MRC)

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Ms Úna Dillon
Managing Director
Merchant Risk Council Europe
una@merchantriskcouncil.org

Dear Ms Dillon,

Thank you for your letter of 29 June 2020 relating to the challenges in the implementation of the Strong Customer Authentication (SCA) requirement under the PSD2. In this letter you asked for *“the [SCA] deadline to be a little more flexible for at least another six months”*.

I appreciate that you wish to make clear that while many of your merchant members are already SCA compliant and have been since 2019 in most cases - which is very good news - the current problems *“lie somewhere in the ecosystem”*. I understand what you are saying but it is a bit disturbing to hear from every member of this *ecosystem* that the problem always lies somewhere else. There is certainly a lot of truth in this but everyone must now take their responsibilities in spite, admittedly, of the challenging circumstances, to fully enforce EU law.

I refer to the recent correspondence we have had on this issue, in particular my letter of 16 June and EVP Dombrovskis's letters to many stakeholders on the same subject.

I can only confirm that the Commission does not, for the reasons highlighted in this correspondence, support any further delay beyond 31 December 2020 of the full application of strong customer authentication.

Yours sincerely,

Eric DUCOULOMBIER
Head of Unit

Contact:

Nicolò Brignoli, Telephone: +32 229-91167, nicolo.brignoli@ec.europa.eu



José Manuel Campa,
European Banking Authority,
Defense 4 – Europlaza,
20 Avenue André Prothin,
CS 30154,
92927 Paris La Défense CEDEX,
FRANCE.

Merchant Risk Council,
1-3 Burton Hall Park,
Burton Hall Road,
Dublin 18,
Ireland.

Monday, 4th May 2020

Dear Mr. Manuel Campa,

I hope you, your family and the staff at the EBA are keeping safe and well during this difficult time.

We are writing to you regarding the deadline for completing the implementation of Strong Customer Authentication (SCA) requirements under PSD2. We have been consulting with our members (who include 85% of the largest eCommerce global retail brands (e.g. Zalando, LVMH, Inditex, Adidas, etc.), plus acquiring processors, PSPs, card issuers, card schemes and consulting firms; as well as 50+ law enforcement agencies) and wish to relay to you what we are hearing in terms of the reality of meeting a December 2020 deadline for SCA implementation, especially during these unprecedented times.

Our members have worked hard over the past few years to ensure the deadline was met by September 2019 and have been working since then to ensure a launch that will create the least amount of disruption possible, to the industry and economy. We are acutely aware the EBA has heard the collective retail industry voice over that time and has been fair and flexible with the implementation deadline. Over the past few weeks and months, customers of ours, including the largest global eCommerce brands, have been carrying out market to market testing in Europe on the required version of 3D Secure. Overall, results would suggest the ecosystem is just not ready.



While these merchants can execute to the SCA mandate, it is clear from testing that significant issues exist across many players which need to be rectified to ensure proper functionality. There is ongoing dialogue between the large actors. The same gaps are appearing, as merchants compare notes and data from their testing phase.

For most of these large merchants, such testing consumes a lot of time and resources with multiple teams and organisations involved in measuring data and producing test results. These large merchants are in the privileged position to be able to do this testing, to iron out any bugs and reduce risks. Small merchants are not so lucky. We believe, without a drastic immediate improvement, the eCommerce industry across Europe will be seriously damaged. We believe, considering these findings, the current deadline is simply not workable.

As you're undoubtedly aware, because of the COVID-19 pandemic, all our member organisations are operating on limited resources. Everyone has had to refocus their attention and redirect business strategies to remain open and in business. For most companies, this has meant operating with a much-reduced workforce either due to illness, layoffs or necessary furloughs. eCommerce merchants are experiencing greater demand than ever before. There are multiple dependencies and while this added pressure is a reality for our members, all are required to work together to implement SCA.

The impact of COVID-19 on that ecosystem is proving to be a great challenge to enable those businesses to deliver a controlled and effective implementation.

We are aware of the letter you received from EPIF last week and we are very much supportive of their message. As with EPIF, we are simply asking for a short delay to the deadline so that everyone in the ecosystem can work to meet their legal requirements effectively.



We also note last week's announcement by the FCA to extend the SCA deadline by a further six months in the UK. It's true to say an effective implementation of SCA includes a timely and managed rollout by all relevant stakeholders. Such a delay in the UK will have a knock-on effect on the rest of the EU operators.

We implore the EBA to consider appropriate measures to ensure a seamless delivery of SCA implementation across the EU. We agree with EPIF that an additional six months for the market to be fully SCA ready is a reasonable ask. As a payment organisation, focussed on fraud prevention, risk management and enabling efficiencies (e.g. avoiding a high level of declines by avoiding a poor rollout) in retail markets, MRC and our members remain committed to the implementation of SCA. We want the rollout to be done well and collaboratively. A deadline in 2021 would help our members ensure this important implementation is done well and therefore deliver its intended purpose.

We welcome your comments and are happy to take any questions you may have.

Sincerely,

Úna Dillon
Managing Director
Merchant Risk Council Europe

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European Banking Authority,
Defense 4 – Europlaza,
20 Avenue André Prothin,
CS 30154,
92927 Paris La Défense CEDEX,
FRANCE.

Merchant Risk Council,
1-3 Burton Hall Park,
Burton Hall Road,
Dublin 18,
Ireland.

Monday 29th June 2020,

Your Reference: EBA-2020-E-2998

Dear Mr. Campa,

I am writing to follow up on my correspondence from 4th May in relation to the MRC concern about market readiness for SCA compliance. We fully understand the regulation is in place and the industry has the current additional time to comply with the regulation due to the EBA's leniency and allowing NCAs to introduce flexibility in its enforcement until 31 December 2020.

To be clear, the MRC and our members are excited about the promise of SCA and 3D Secure. Better security for consumers, fewer fraudulent transactions, and increased authorisation rates are something we all want. Prior to the pandemic, the industry was making progress in the right direction to hit the December 2020 deadline. Unfortunately, between the pandemic and the economic downturn, we do not believe the industry will be ready by then.

Recently we heard from issuers, on the challenges of 3D Secure, that with significant growth in eCommerce, as a result of the pandemic, there are many *new* merchants moving from card present sales to eCommerce and there have been bumps in the road. A case example was where a consumer placed a pre-order for grocery collection. The transaction failed on the day of pickup and the consumer was unable to get their groceries on arrival. We all need to remember, as we look at the live data from our merchants, that each decline of a good consumer is not just a statistic, but a person who needs goods or services during a global pandemic.

It must be said, as we review the merchant data, we see a lot of great progress but before the NCAs start to enforce compliance in January, our ask is that benchmarks are analysed on a country by country basis and the impact to the consumer is considered.



In his response to my letter to the European Commission in May, Mr. Ducoulombier referred to a delay in implementing SCA potentially undermining customer trust in eCommerce. Our concern, and that of our members, is that enforcing SCA compliance from the end of December will currently cause major mistrust in the industry as large numbers of transactions are declined – based on the real and current data of our members such as Amazon, Microsoft, Sony, Google, etc. We have seen no evidence of research from consumer groups to suggest consumers are expecting change from January 2021.

We wish to make clear that while many of our merchant members are already SCA compliant and have been since 2019 in most cases, the current problems lie somewhere in the ecosystem. We are working to drive efforts over the next six months together with card issuers and merchants to find where those issues lie and to fix them. MRC ran an open webinar on 25th June with representatives from Google, Microsoft and Amazon to discuss in detail their SCA/ 3D Secure data, to talk about the current roadblocks and the potential solutions if all parties work together. (Link to the MRC webinar for your interest: <https://bit.ly/38fUxOf>)

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We remain at your disposal for any questions.

Sincerely,

Úna Dillon
Managing Director, Europe
Merchant Risk Council (MRC)

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José Manuel Campa
Chair, European Banking Authority
EUROPLAZA
20 Avenue André Prothin
92927 Paris La Défense
France

24 April 2020

Dear Mr José Manuel Campa,

The signatories have invested considerable resources to meet the deadline for completing the implementation of the Strong Customer Authentication (SCA) requirements under PSD2. We would like to acknowledge the pragmatic and flexible approach taken by the EBA and the respective national competent authorities on the timetable for implementation. Our members are working hard to be ready to comply with their legal requirements pertaining to SCA by December 2020.

EPIF this month hosted a workshop for a cross-section of stakeholders in card payment markets where the impact of SCA implementation as a result of COVID-19 was discussed. Among the attendees were bank and non-bank payment providers, the merchant community, European and international card schemes. Overall, EMV 3DS implementation is progressing across Europe. However, it is now clear that the COVID-19 crisis has significantly reduced the capacity available to progress SCA development and implementation. This is particularly true in the travel and hospitality sectors, and others which have either closed down entirely or been hard hit by the lockdown.

The exceptional circumstances of this disease is putting an additional strain on the limited resources for all parties involved in the payment chain. During the pandemic, companies have had to focus their efforts on business continuity, prioritising business critical activities targeted at maintaining stability and supporting consumers through the crisis. Many have had to change their operations to service new and pressing customer needs which, in many cases, includes relaxing their normal business terms. This all requires redeployment of resource to manage this activity and the governance and controls surrounding it. For many merchants, this also has to be delivered by a reduced workforce through layoffs arising from falling revenues and necessary social distancing measures.

Consumers are relying on ecommerce more than ever, and therefore maintaining product availability and ensuring a smooth and friction free customer journey, with these increased volumes will be the priority of technical teams. Given these pressures, merchants cannot accommodate any additional risk of payment disruption. Making technology changes when in crisis mode, with technical teams working remotely, adds significant risk to any deployment which could lead to further disruption, confusion and a worse customer experience. This is an unnecessary additional challenge when consumer confidence is at an all-time low, and non-food online sales are already depressed, and may lead to operational overload for already strained call centres.

The payments ecosystem involves a high number of dependencies and parties must work together to implement SCA. The constraints the current crisis places on the roll out of SCA technology severely limits the time available for participants to test together, which is essential to a safe and controlled implementation. Critically, the time lost during lockdown will not be able to be recovered later in the year due to system freezes pre-peak trading. Avoiding disruption is even more critical this year as this will coincide with the early stages of economic recovery.

The signatories therefore call on the European Commission and the EBA to consider appropriate additional measures and coordination to assist in the smooth transition to SCA in all EU Member States equally. In the light of COVID-19, this should also include the possibility of an at least additional six months for the market to be fully SCA ready.

Beyond the cards market, EPIF's members have also highlighted that effective SCA implementation is a key building block to ensuring the smooth functioning of payment initiation service providers and account information service providers, as regulated under PSD2. Access to the underlying customer accounts should be able to rely on one single SCA.

We remain committed to the smooth and effective implementation of SCA along the card payment chain and look forward to working with the European Commission, EBA and the National Competent Authorities to make PSD2 implementation a success.

Sincerely,

The Co-signatories.

This letter has been co-signed by the following organisations:





FAO Mr. Dirk Haubrich,
European Banking Authority,
Defense 4 – Europlaza,
20 Avenue André Prothin,
CS 30154,
92927 Paris La Défense CEDEX,
FRANCE.

Merchant Risk Council,
1-3 Burton Hall Park,
Burton Hall Road,
Dublin 18,
Ireland.

CC to Mr. José Manuel Campa

Monday, 7th December 2020

Your Reference: EBA-2020-E-2998

Dear Mr. Haubrich,

We are writing again to the EBA, on behalf of our merchant members in the EU, regarding the upcoming SCA enforcement date. I should acknowledge, in the first instance, you made the EBA position on SCA enforcement very clear at the recent EPIF fireside chat session. We heard the position and shared it with our members.

You noted in said talk that you have heard from several industry associations, and have seen statistics on card payment declines, abandonment rates and SCA lack of readiness across European countries. Your interviewer, Mr. Reinhardt made the point regarding entities in the payments supply chain noting they *are* ready and can show they are compliant with the law but that 'ready' means something different, depending on the organisation.

In advance of the EPIF talk, we planned to write again to the EBA, in consultation with the co-signed parties herewith, to suggest the EBA consider allowing a phased enforcement of SCA, post 1 January 2021, to provide the industry 6 more months to work out the issues only recently coming to light regarding readiness for all aspects of card payments, especially in-app transactions where more than 40% of card payment activity resides. MRC continues to facilitate discussion between merchants and card issuers to enable de-bugging of the processing problems currently arising between the 'ready' parties. I believe however, it was clear from your comments the EBA position is not to allow an extension post 31 December 2020 to facilitate the ongoing important work by issuers and merchants.



We wish to make clear again that while many of our merchant members are already SCA compliant and have been since 2019 in most cases, the current problems lie somewhere in the ecosystem. We are working to drive efforts over the next six months together with card issuers and merchants to find where those issues lie and to fix them

Consumers *will* be the parties to suffer, from 1 January with the current status of the payment ecosystem. Consumers should be able to go into shops (online) in January and complete their basic shopping experience as easily as they do now. Neither the consumer nor the retailer will be ready on 1 January to use or accept the alternative payment methods to which you referred in the fireside chat. They are simply not readily available to all consumers and retailers. Card payments offer the frictionless experience the consumer wants.

On that basis, we further recommend a six-month phased enforcement approach from 1 January 2021 to ensure a considerably less amount of friction for our consumers and retailers. A very short time to ask, but an important period to allow the ecosystem to right itself, in a coordinated manner, and to avoid a catastrophe in January when bewildered consumers can't buy their groceries online while locked down at home during a global pandemic. That is the reality.

We remain at your disposal for any questions.

Sincerely,

Úna Dillon
Managing Director, Europe
Merchant Risk Council (MRC)

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