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

To learn more about transactions that are either out of scope or exempt from SCA, **please contact your Visa Representative or refer to our PSD2 SCA Optimisation Best Practice Guide.**