**POSITION STATEMENT**

**New European standards on online payment:**

**E-Commerce sector requests extension of exemption on recurring payments**

**The European Commission must decide by 29 September 2017 whether it endorses the last draft Regulatory Technical Standards (RTS) on Strong Customer Authentication (SCA) as proposed by the European Banking Authority (EBA) under the revised Payment Services Directive (PSD2). Key stakeholders of the e-commerce sector and the payment ecosystem believe that existing, wide-spread business practices could be maintained without compromising security.**

We welcome the important work that the EBA and the European Commission have undertaken so far with stakeholders and which have led to the much-needed improvement of the text in relation to the exemptions to SCA and the inclusion of a risk-based approach. In that regard, we fully support [the position of E-Commerce Europe](https://www.ecommerce-europe.eu/news-item/european-commission-removes-foundation-successful-digital-single-market/) on the underlying issue of Transaction Risk Analysis (TRA).

Although we also consider that basing TRA on the merchant’s data would greatly help solving the outstanding issue of excessive, unnecessary and inconvenient SCA, we would like here to focus on the specific point of recurring payments.

**Instalments or recurring payments**

Customers in the European e-commerce sector importantly rely on merchants-initiated transactions, either through subscriptions (recurring payments), or through services based on instalment payments.

The current text of the exemption only applies to *recurring transactions of the same amount*, as stated in article 14[[1]](#footnote-1) (apart from the first transaction, which would undergo a strong authentication). This wording does not correspond to current common business practices, where online merchants often offer trials, discounts or upgrades to their customers. These special offers mean that different amounts are charged to customers, without necessarily proceeding to a new authentication.

In the same fashion, installment payments are subject to a single strong authentication at the time of order. The transactions that follow can however be of a different amount, re-calculated for instance in case a product is returned or when the amount is rounded up or down.

Authenticating this type of payment again, subject to technical feasibility, would considerably hamper customer experience and question the existence of a popular mean of payment from a customer viewpoint, indispensable for purchases of high priced goods and services.

Additionally, applying SCA at each different payment of a same transaction has no added-value in terms of security, since payment service providers are already able to trace payments and certify that they belong to the same transaction, between the same merchant and the same customer purchasing the same product / service.

***Suggestion:*** *We therefore call on the European Commission to revise the draft article 14 as suggested below in order to include payments of different amounts:*

*“1. Payment service providers shall apply strong customer authentication when a payer creates, amends, or initiates for the first time, a series of recurring transactions ~~with the same amount and~~ with the same payee.”*

*Such a modification would be in line with the current recital (10), which states that “recurring payments to the same payees which have been previously set up or confirmed by the payer through the use of strong customer authentication (…) pose a low level of risk, thus allowing payment service providers not to apply strong customer authentication.”*

**Ensuring the highest level of security**

The e-commerce sector is fully committed to ensuring the highest-level security of online transactions as the success of our services relies first and foremost on customer experience and consumer trust. We are continuously working to improve that customer experience, whilst integrating the necessary protections against fraud.

This evolution towards more secure online transactions is reflected in the latest figures published by the French observatory for payment services (OSMP). They show a decrease in fraud for the third consecutive year, in proportion and in total value (0.199%), as a result of the efforts collectively undertaken by payment service providers and online merchants for securing transactions.

The RTS as presented by the EBA could have unforeseen consequences on customer conversion rate, and therefore on the performance of e-commerce services. It should not threaten the fragile, but necessary balance to achieve between security and a smooth customer journey, which is essential to the development of the digital economy as a whole.

We are committed to working with the European Commission on a future-proof regulatory framework for online payments, which would not unnecessarily hamper the customer experience and innovative services whilst guaranteeing the highest level of online trust. We are convinced that the adaptation which we propose today on merchants-initiated transactions and recurring payments will make the new standard work for all players.

**About the signatories**

**Fevad**

The French association of e-commerce and distance selling, created in 1957, brings together 600 corporate members and 800 websites. Fevad supports a better understanding of the e-commerce sector for the wider public, and acts in favour of a sustainable and ethical development of distance selling and e-commerce in France.

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**Mercatel**

The association was created in 1986 by businesses of the trade and retail sector. Mercatel is an “operational think-tank” which brings together stakeholders of the retail value chain on front office technologies, in particular on payments. Mercatel aims at:

* Understanding and anticipating the overaching trends in the sector as to enable the adaptation of organisations and standards;
* Contributing, along with all interested stakeholders, national and European regulatory bodies, in developing standards that facilitate the take-up of new technologies;
* Speak on behalf of the e-commerce sector on legislation and standards that impact the industry.

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1. Version of the EBA of 29 June 2017. [↑](#footnote-ref-1)