

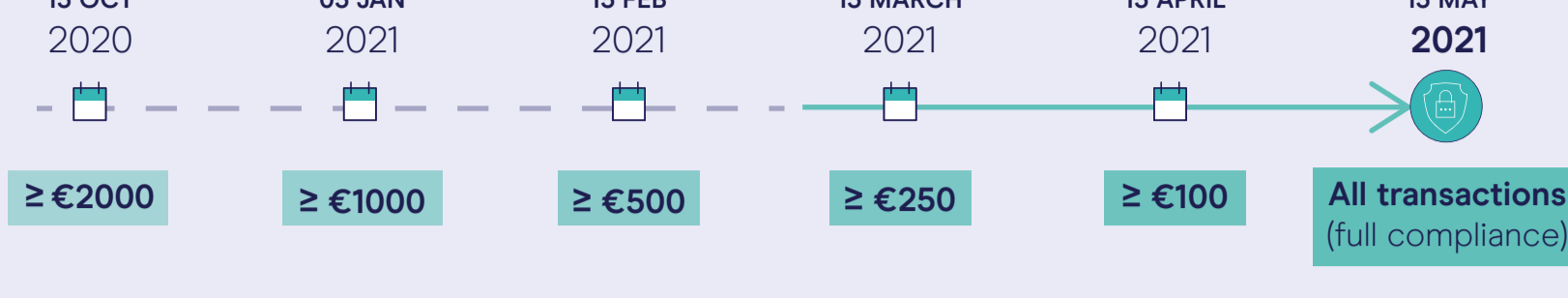
# PSD2: key figures on the end of migration

## THE FRENCH USE CASE

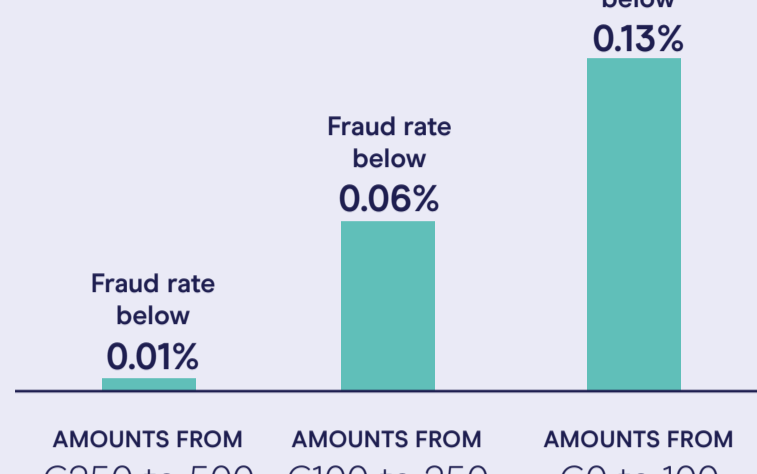


### Calendar and challenges

#### MIGRATION TO STRONG AUTHENTICATION: DEPLOYMENT OF SOFT DECLINE IN FRANCE



#### FRAUD RATE THRESHOLDS TO COMPLY WITH TO QUALIFY FOR FRICTIONLESS



#### SOFT DECLINE

The request for direct authorisation of the transaction without prior authentication is declined by the customer's bank. The payment must be represented with strong authentication.

Source: French OSMP's "Trajectoire de mise en œuvre du soft decline pour finalisation du plan de migration pour l'authentification forte des paiements en ligne" [Trajectory of the implementation of soft decline to finalise the migration plan for strong authentication of online payments] published on 18/02/2021



### 3D Secure

#### SITUATIONAL ANALYSIS OF THE MIGRATION TO THE 3DS V2 PROTOCOL

##### 3DS V2

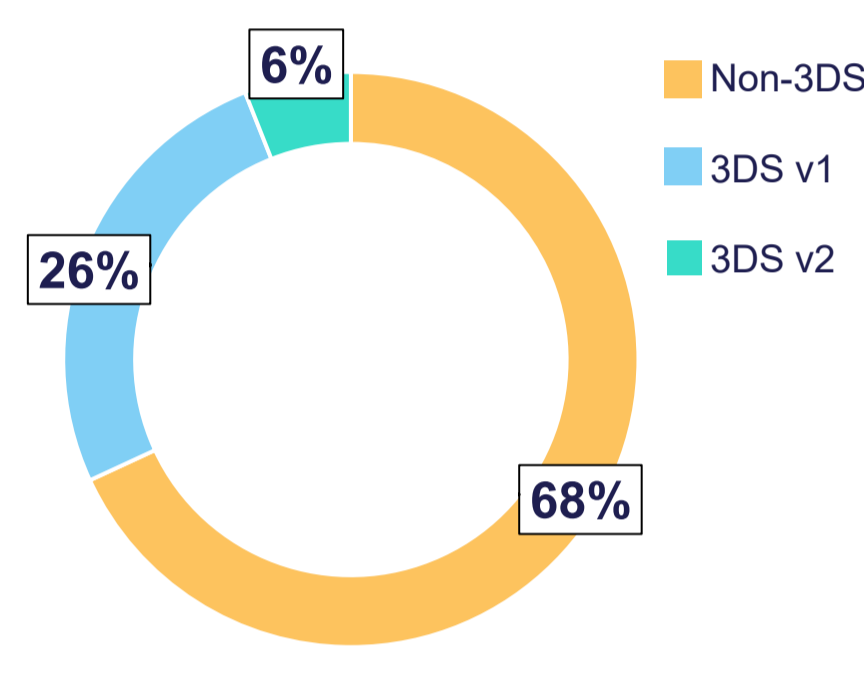
The new version of the 3DS protocol strengthens the authentication method.

##### 3DS V1

3DS V1 does not make it possible to ask for exemptions, meaning merchants will be affected by 100% of soft declines. In addition, this version will be charged more by card schemes.

##### TRANSACTIONS WITHOUT 3DS

will no longer be possible from 15/05/2021 (except for transactions outside the scope of the PSD2: Mail Order/ Telephone Order, and Merchant Initiated Transactions)



Source: Natixis Payments Data - January 2021

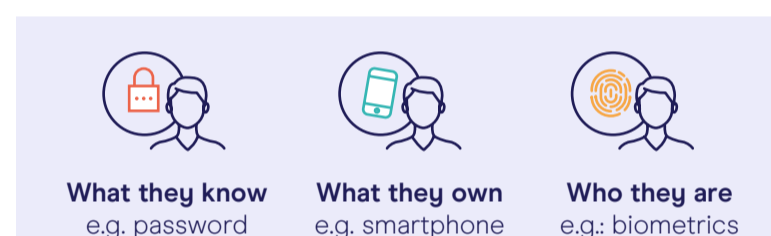


In January 2021, 3DS v2 accounts for only 6% of transactions, but this figure is set to rise very quickly.



#### DID YOU KNOW?

With PSD2, payments must be subject to a strong authentication request, which relies on three elements inherent to the buyer, which must be coupled to ascertain their identity:



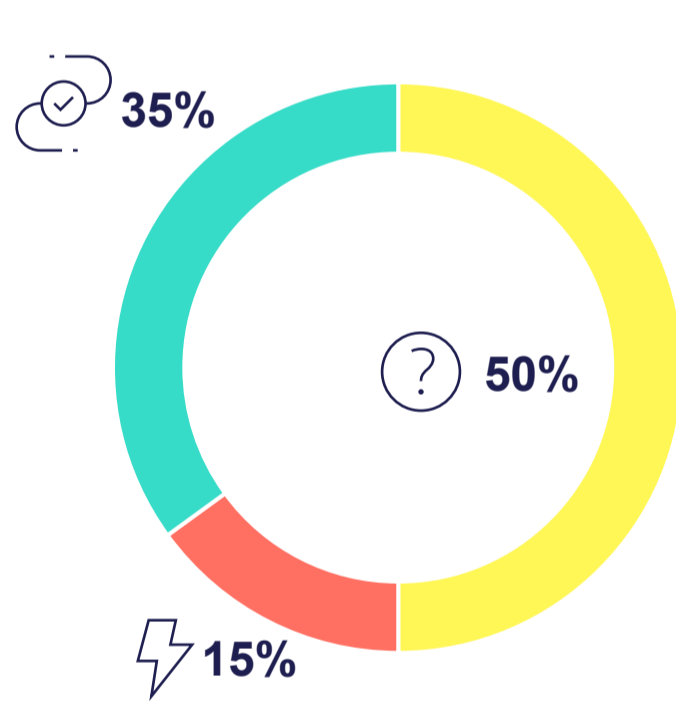
Conversely, frictionless is a route that consists of not adding an additional step for the customer during payment.

The data exchanged between merchants and banks is sufficient to ascertain the identity of the customer.

#### PRÉFÉRENCES DES MARCHANDS

With 3DS v2, merchants may choose to notify the issuer of the pathway they desire for each transaction they receive, based on their fraud analysis. There are several possible choices:

- Challenge:** I want the transaction to get strong authentication
- Frictionless:** I would like a transaction without strong authentication
- No preference:** I let the issuer decide

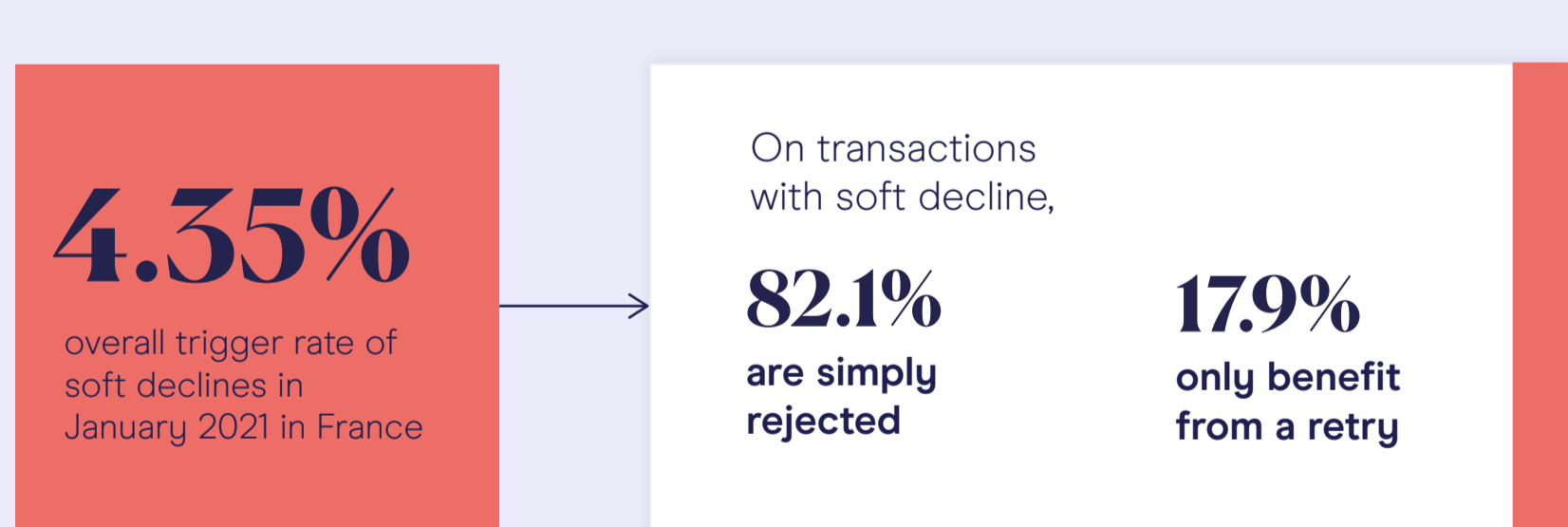


Source: Dalenys Merchant Data - January 2021

**67%** of transactions sent as "No Preference" by merchants are eventually challenged by issuers.



### Soft decline



Source: Natixis Payments Data - January 2021



### Dalenys' soft retry mechanism

**100%** soft decline transactions at Dalenys benefit from a retry

**81.49%** transactions subjected to soft declines are finally accepted thanks to Dalenys soft retries

#### SOFT RETRY

If the transaction is rejected, it is automatically resubmitted to the bank for authorisation applying 3D Secure strong authentication. This second attempt is totally invisible to the consumer, and this time the bank may decide to accept the transaction.

#### A FEW EXAMPLES PER SECTOR

The impacts on the acceptance rate is greatly reduced thanks to soft retries.

|                                    | HOME / LIFESTYLE | GAMBLING     | TRAVEL       |
|------------------------------------|------------------|--------------|--------------|
| <b>AFTER RTS</b>                   |                  |              |              |
| Soft decline rate                  | 18.2%            | 3.07%        | 4.02%        |
| Acceptance rate after a soft retry | <b>80.4%</b>     | <b>60.1%</b> | <b>68.7%</b> |

RTS: Regulatory Technical Standards, implementation texts of the PSD2  
Source: Dalenys Merchant Data - January 2021