GoVerify protects people from impersonation and deception fraud by validating the correspondence received from a trusted organisation is genuine without having to disclose any personal information.

GoVerify verifies calls, emails, texts and letters.
Airline Travel Payment Summit 2019

Update on GDPR & PSD2 (Open Banking and SCA)

Pascal Burg, Director
Edgar, Dunn & Company
Agenda

- General Data Protection Regulation (GDPR)
- Payment Services Directive 2 (PSD2)
  - Open Banking
  - Strong Customer Authentication (SCA)
Regulations is one of four key factors driving significant change and disruption in the payments industry.
High Level Timeline Of Key EU Payments Legislation*

2000: Lisbon Agenda
2001: SEPA regulation on cross-border
2007: 1st Payments Directive
2009: 2nd Electronic Money Directive
2009: Updated 1st Payments Directive
2010: Interchange Fee Regulation (IFR)
2012: Updated 1st Payments Directive
2015: 2nd Payments Directive
2016: Interchange Fee Regulation (IFR)
2019: Airline Travel Payment Summit, 2019, #ATPS

*Dates indicate when legislation was formally adopted by EU Council
General Data Protection Regulation (GDPR)

The Aim
One set of data protection rules for all companies operating in the EU

25th May 2018
GDPR came into force

The Requirement
Organisations processing personal data must do so with inbuilt data protection and privacy at each step

23 Member States
Have adopted GDPR
(Missing Bulgaria, Greece, Slovenia, Portugal, Czech Republic)

Source: The European Data Protection Board, January 2019
Implications of GDPR

Tangible Improvements For Consumers
- Consent
- Rights
- Data portability

Other Key Compliance Areas
- Breach & Notification
- Data Transfer outside of the EU
- Data protection by design

Source: Edgar Dunn & Company, 2018

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Since the Implementation of GDPR...

Who is GDPR compliant?

- **59%**
  Of firms globally are meeting all or most of GDPR’s requirements today

- **29%**
  Of firms globally expect to be GDPR ready within 12 months

- **9%**
  Of firms globally will take more than 12 months to be GDPR ready

Number of complaints to Data Protection Authorities (DPAs) under the GDPR, from individuals

Accumulated number over time

Most common types of complaints

- Telemarketing
- Promotional e-mails
- CCTV

Source: The European Data Protection Board, January 2019
CISCO Cybersecurity Series, January 2019

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From a client’s point of view, different types of merchants have different GDPR challenges
From a client’s point of view, different types of merchants have different GDPR challenges

Source: Edgar Dunn & Company, 2018
Payment Services Directive 2 (PSD2)*

- Third Party Payment Providers (TPPs)
  - Payment Initiation Service (PIS)
  - Account Information Services (AIS)
- Access To Accounts (XS2A) via APIs
- Interchange Caps & Surcharging
- Instant Payments
- Acquiring Fee Transparency
- Strong Customer Authentication

Open Banking

SCA

* Post-regulatory environment PSD2 & other regulatory events as well as additional drivers of change such as service innovation (i.e. Impact of Instant Payments)
Open Banking

Open Banking aims to:

- Increase competition in the banking sector
- Facilitate product development
- Introduce disruptive players
- Offer more choice and better deals for consumers

Source: Forbes, December 2018
Deloitte, How to flourish in an uncertain future - Open banking

FinTechs tend to prioritise speed, convenience and cost

Source: Fintech Ranking

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The ‘opening up’ of customer transaction data
Open Banking Implementation Entity (OBIE)

OBIE creates software standards & industry guidelines that drive competition and innovation in UK retail banking

- **78** Third Party Providers enrolled with OBIE
- **40** Account providers enrolled with OBIE
- **23** Regulated entities have at least one proposition live with customers

+17 million successful monthly API calls

Source: Open Banking March Highlights, April 2019
Open Banking, An Unparalleled Opportunity presentation, January 2019

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TransferWise

International money transfer app

- Borderless accounts
- Real exchange rates
- Multiple currencies
- Cheaper than banks

For who?
People that travel, live and work internationally

5/5 star rating, 42707 reviews on Trustpilot

Source: Open Banking Ltd, Mobilesyrup article, March 2019
Strong Customer Authentication (SCA)

High Level Timeline Of SCA Implementation

13th Jan 2018
Deadline for member states to transpose PSD2 into law

14th September 2019
Implementation deadline for RTS on SCA. Member states through their regulators responsible for ensuring compliance

13th March 2018
RTS on SCA & SCS was published in the official journal of EC

14th March 2019
Deadline for bank interfaces (APIs) and testing facilities

41% European Banks missed the deadline*

(*) Source: Tink, March 2019

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Requirements of SCA

SCA requires at least 2 of 3 factors of authentication*

Knowledge
Something only the user knows (password, PIN...).

Possession
Something only the user possesses (key material...).

Inherence
Something the user is (fingerprint, voice recognition...).

(*) For online, customer-initiated transactions

Source: European Payments Council
Looking at SCA in detail...

### Transaction types out of scope of SCA...

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIT or payee initiated payments</td>
<td>But SCA required to set up the mandate and make initial payment</td>
</tr>
<tr>
<td>MOTO &amp; Anonymous Paym. Instrum.</td>
<td>SCA not required for MOTO/Call Centre; &amp; payment instruments like giftcards</td>
</tr>
<tr>
<td>One Leg Out Transactions</td>
<td>One of the PSPs (payer or payee) is based outside of the EU</td>
</tr>
</tbody>
</table>

### Exemptions to reduce check-out friction...

<table>
<thead>
<tr>
<th>Exemption</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remote transaction &lt;€30</td>
<td>(SCA required after 5th transaction or once value hits €150)</td>
</tr>
<tr>
<td>SCA not required when a payer adds merchant to list of trusted beneficiaries</td>
<td>(White-listing)</td>
</tr>
<tr>
<td>Issuers and acquirers can apply exemption if their fraud rate is below threshold rate</td>
<td></td>
</tr>
<tr>
<td>SCA exempt on use cases for payments between two companies</td>
<td></td>
</tr>
</tbody>
</table>
Looking at SCA in detail...

Exemption in Corporate Payments applied in the UK*

EBA SCA-RTS
Article 17

National Competent Authority (NCA)
UK → FCA

Not included - Physical Corporate Card

Potentially Included - Restricted networks, lodged or virtual corporate cards

Annual Operational and Security Risk reporting form

Must be submitted 3 months in advance

Implied Deadline
13th June 2019

*This view is that of UK FCA only!

Source: Edgar, Dunn and Company, April 2019
White-listing facilitates user experience

3-D Secure (3DS)
Frictionless cardholder authentication when making card-not-present (CNP) e-commerce purchases

Source: Mastercard
## SCA in the Travel Vertical

### Five Key Take-Aways

| 1 | **Merchant Initiated Transaction (MIT)** | MIT out of scope framework should be used where a future MIT may be required (e.g. incidental charges, damages, no shows etc) |
| 2 | **Hotel no shows** | If hotel wants to protect itself against a no show, they will need to authenticate the traveller at time of booking i.e. full excepted amount |
| 3 | **Travel Agents authentication on behalf** | Where airline or hotel is MoR, agent will have new responsibility to authenticate the payer on behalf of travel supplier |
| 4 | **Airline via IATA BSP** | Current MOTO classification not sustainable - transaction which originate in e-commerce channel should be processed assuch |
| 5 | **Corporate exemption** | Corporate exemption will apply in many cases and flagged in authorisation i.e. authentication step will not be required |

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*Airline Travel Payment Summit, 2019, #ATPS*
EDC suggests a three-phase approach for Airlines to identify, evaluate and address payment opportunities and threats.

**Phase 1**
360° Payments Diagnostic / Audit
What - Identify priority payment opportunities

**Phase 2**
Future State / Roadmap
How - Steps to do it? List payment projects on roadmap

**Phase 3**
Roadmap Execution
Interim payment team to support your business to launch initiatives

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Edgar, Dunn & Company (EDC) is a global payments strategy consultancy with a Travel Practice since 2002

EDC: International consultancy focused on payments and on travel

- Founded in 1978, the firm is widely regarded as a trusted advisor to its clients, providing a full range of strategy consulting services
- Travel payments practice since 2002, working with the entire travel value chain, including airlines, hotels, travel agents, payment networks, issuers, acquirers, etc.
- If you want to discuss payments-related topics:

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