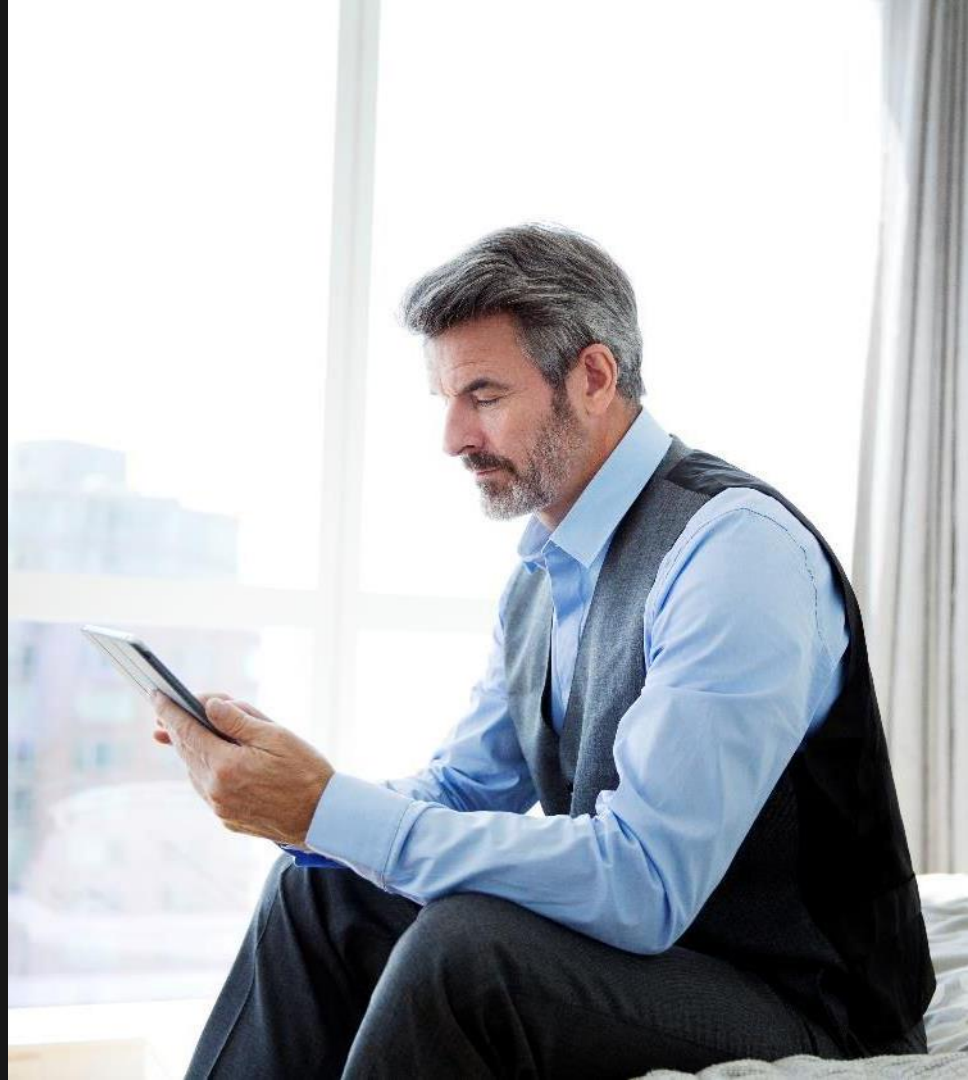


PSD2 Strong Customer Authentication - Travel & Hospitality Sector

September 2020

Marc Van Puyvelde & Eline Driessens
Cyber and Intelligence Solutions, Europe





Agenda

- Travel & Hospitality Direct Sales Model
- Travel & Hospitality Indirect Sales Model
- Travel & Hospitality Secure Corporate Payments
- Q&A





Travel & Hospitality Direct Sales Model



Travel & Hospitality Direct Sales Model – Existing Situation

Bookings made directly by a cardholder with the Travel Supplier operating the service (such as, airline, hotel).



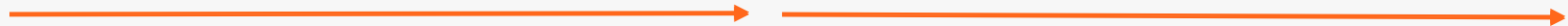
TRAVELLER



TRAVEL SUPPLIER



PAYMENT



On-Line Booking

- Web Portal
- Merchant App

Travel suppliers may be presenting some of these transactions as e-commerce, MOTO, PAN Key Entry Card-Present or Card-Not-Present

- Authentication may not be performed
- Method of booking may not be shared

Payment

- Pre-Payment
- Balance Payment
- "No show"
- Cancellation Fee
- Full Payment
- Extras



Travel & Hospitality Direct Sales Model – PSD2 RTS Impact

According to PSD2 guidelines, SCA is required unless an exemption applies or unless the transaction is out-of-scope.



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PAYMENT



SCA



MIT Agreement is required as and when

- Total amount is not known at time of booking
- More than one Travel Supplier payment may be collected over a period of time

Acquirer Exemptions (TRA or LVP) can be applied based on amount if no MIT agreement is required



Travel & Hospitality Direct Sales Model – Pre-payment of full amount

Straightforward transaction that requires SCA unless an exemption applies



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PAYMENT



On-Line Booking

Payment using Authentication details and acquirer exemption flag*

or

Payment using acquirer exemption flag*

SCA for the total amount of the booking

Indication of Acquirer Exemption*

Collection of Authentication details



* If acquirer exemption applies



Travel & Hospitality Direct Sales Model – Pre-payment of partial amount, balance payment, no show payment, cancelation fee, full payment at check-in and extras

Transaction requires SCA to confirm MIT agreement



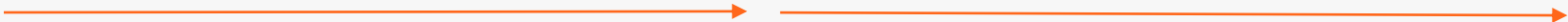
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PAYMENT



On-Line Booking

Confirmation of MIT Agreement using Authentication details and collection of "proof of authentication" TracelD

SCA to confirm MIT Agreement and collection of Authentication details

Zero amount if total amount not known

MIT Payment* using "proof of authentication" provided details (TracelD) referring to original MIT Agreement



* Repeated for every payment





Travel & Hospitality Indirect Sales Model



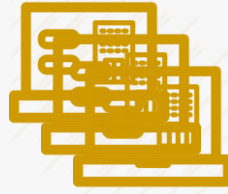
Travel & Hospitality Indirect Sales Model – Existing Situation



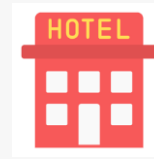
TRAVELLER



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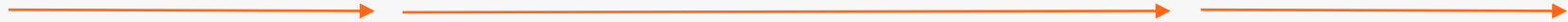
INTERMEDIARIES



TRAVEL SUPPLIER



PAYMENT



On-Line Booking

- Web Portal
- Merchant App

Booking and Payment Details

- Quantification and qualification of the requested service
- Payment Card Details

Payment

- Pre-Payment
- Balance Payment
- "No show"
- Cancellation Fee
- Full Payment
- Extras

Frequently, travel suppliers may be presenting these transactions as MOTO, PAN Key Entry Card-Present or Card-Not-Present

- Most often, method of booking is not shared
- No authentication is performed

* In context of Indirect Sales, Travel Agent is most often referred to as OTA – Online Travel Agency



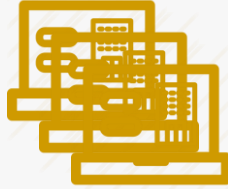
Travel & Hospitality Indirect Sales Model – PSD2 RTS Impact & Ultimate Solution *Requires Travel Agent, Intermediaries and Travel Supplier to upgrade Systems*



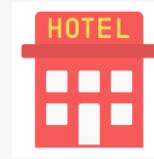
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INTERMEDIARIES



TRAVEL SUPPLIER



PAYMENT

On-Line Booking

**Booking, Payment and "proof of authentication"
(Authentication and MIT Agreement) Details**

**MIT Payment using
provided details
"proof of
authentication"
referring to original
MIT Agreement**

SCA
or
SCP



- MIT Agreement is required as and when
- Total amount is not known at time of booking
 - More than one Travel Supplier payment may be collected over a period of time

Visit below link for more detailed presentation of the solution
<https://www.ukfinance.org.uk/events-training/webinar-hub>

* In context of Indirect Sales, Travel Agent is most often referred to as OTA – Online Travel Agency



Travel & Hospitality Indirect Sales Model – PSD2 RTS Impact & Ultimate Solution

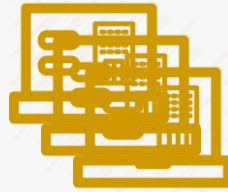
PSD2 RTS Compliance is based on the Establishment of an MIT Agreement



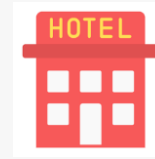
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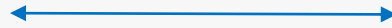
INTERMEDIARIES



TRAVEL SUPPLIER

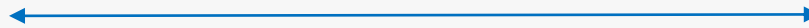


ACQUIRER



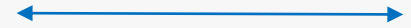
Travel Agent is responsible for putting in place an MIT Agreement on behalf of Travel Supplier

Authenticated through SCA or based on SCP exemption



Travel Suppliers are responsible for putting in place or updating contractual agreements with the Travel Agents to confirm

- **an MIT agreement is presented for cardholder authentication at time of booking**
- **the MIT agreement is confirmed by cardholder through SCA or through an SCP exemption**



Acquirers are responsible for putting in place or updating contractual agreements with the Travel Suppliers to confirm the above requirements

* In context of Indirect Sales, Travel Agent is most often referred to as OTA – Online Travel Agency



Travel & Hospitality Indirect Sales Model – PSD2 RTS Impact & Ultimate Solution

PSD2 RTS Compliance is based on the Establishment of an MIT Agreement

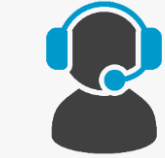
MIT Agreement T&Cs

Issuers, Acquirers nor PSPs need to receive a copy of the Agreement

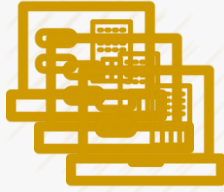
- To ensure a MIT meets the EBA requirements, we suggest any agreement includes the following:
 - Name and full address of Merchant
 - Purpose of the agreement / payment
 - Type of payment (such as no show, prepayment)
 - Duration of the agreement
 - Total amount and currency of the agreement (or an estimate if the precise payment amount is not known with details on how the final amount will be calculated)
 - Amount and currency of the authentication
 - Amount and currency of the first payment
 - Cancellation procedure
 - Payment schedule and/or timing of first payment
- It is strongly recommended that the Travel Supplier/Merchant also confirms all components of the MIT agreement with the consumer via email



Travel & Hospitality Indirect Sales Model – Interim Solution



TRAVEL AGENT



INTERMEDIARIES



TRAVEL SUPPLIER



PAYMENT

Booking and Payment Details

Payment with "no proof of authentication"

MIT Agreement is required as and when

- Total amount is not known at time of booking
- More than one Travel Supplier payment may be collected over a period of time

- MIT indicator with dummy TracelD with DE48SE63 value
 - Positions 1–3 = "MCC"
 - Positions 4–9 = "9999998"
 - Positions 10–13 = "1231"
 - Positions 14–15 = blank filled
- Only in case the MIT indicator cannot yet be implemented the existing MOTO flag can be used with DE61SE5
 - Values "03" or "04"

SCA
or
SCP



Travel & Hospitality Indirect Sales Model – Interim Solution

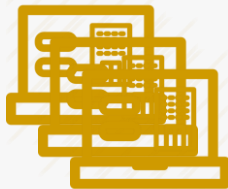
Allows Indirect Sales Transactions to be completed with no Proof Authentication



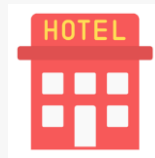
TRAVELLER



TRAVEL AGENT*



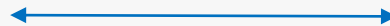
INTERMEDIARIES



TRAVEL SUPPLIER



ACQUIRER



- Until the T&H industry can deliver on the solution documented in the UK Finance Technical Guidance document
- Mastercard will announce expected delivery of the ultimate solution at a later time

Acquirers are only allowed submitting MIT payment authorisations without proof of authentication with either standard MIT identification or through existing MOTO flags when the Travel Supplier can indicate to the Acquirer that the transaction was initiated with an MIT agreement

Acquirers submitting these MIT transaction without proof of authentication are responsible for ensuring that no transactions are sent to an Issuer when the transaction does not comply with PSD2 RTS regulation

- **by putting in place or updating contractual agreements with the travel suppliers to confirm the above requirements**
- **by putting in place controls to monitor aforementioned measures**

Effective 1 January 2021

* In context of Indirect Sales, Travel Agent is most often referred to as OTA – Online Travel Agency



Travel & Hospitality Indirect Sales Scope

Due to popularity of Travel Packages, also a-typical T&H merchants may end up as a travel supplier in the Indirect Sales model

Merchant Category	MCC
Airlines & Air Carriers	3000 through 3350 and 4511
Lodging	3501 through 3999 and 7011
Car Rentals	3351 through 3500 and 7512
Cruise Lines	4411
Travel Agencies	4722
Passenger Railways and Railroads-Freight	4112 and 4011
Vacation Rentals	6513
Bus Lines	4131
Transportation, including Ferries	4111
Taxi Cabs and Limousines	4121
Transportation Services - Not elsewhere Classified	4789
Campgrounds and Trailer Parks	7033
Motor Home and Recreational Vehicle Rentals	7519
Tourist Attractions and Exhibits	7991
Aquariums, Dolphinariums, Zoos and Seaquariums	7998
Insurance Sales, Underwriting and Premiums	6300
Direct Marketing - Insurance Sales	5960
Government Services	9399
Parking Lots & Garages	7523





Travel & Hospitality Secure Corporate Payments



Travel & Hospitality Secure Corporate Payments – Existing Situation



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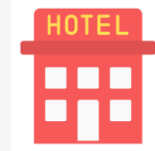
CORPORATE



ONLINE BOOKING
TOOL**



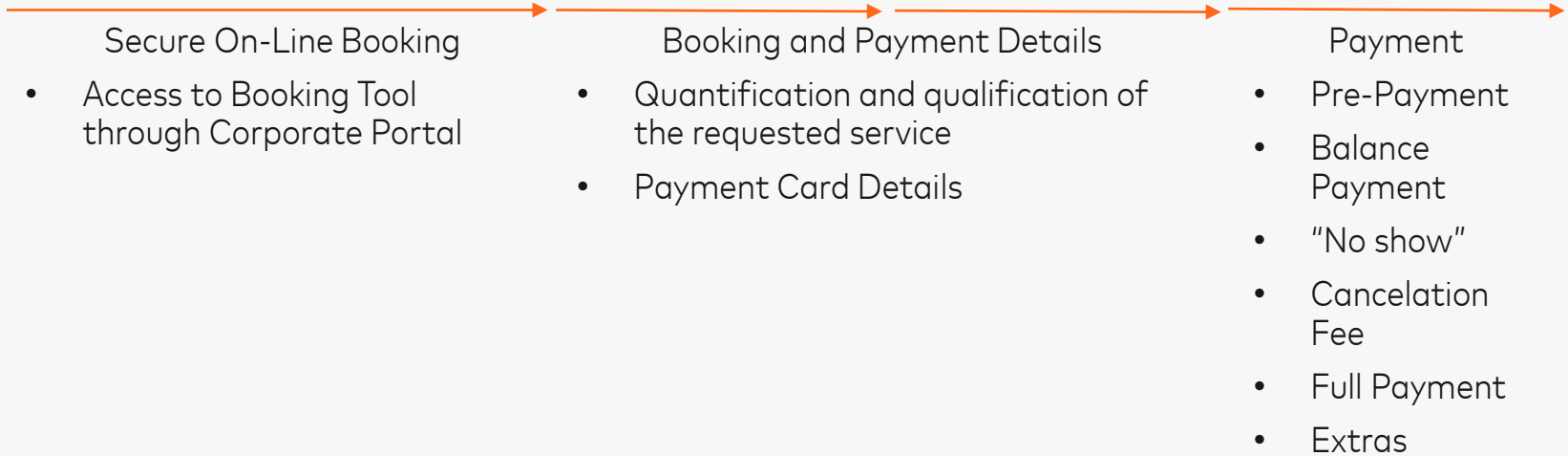
TRAVEL MANAGEMENT
COMPANY**



TRAVEL SUPPLIER



PAYMENT



**In context of Indirect Sales, Travel Agent is most often referred to as TMC – Travel Management Company and the booking platform itself is often provided through an OBT – Online Booking Tool. Travel Aggregators may also have a role in the process.



Travel & Hospitality Secure Corporate Payments – PSD2 RTS Impact



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ONLINE BOOKING TOOL**



TRAVEL MANAGEMENT COMPANY**



TRAVEL SUPPLIER



PAYMENT



Secure On-Line Booking

Booking, Payment, Authentication, MIT Agreement Details and SCP Flag

- Access to Booking Tool through Corporate Portal

SCA or SCP



Authentication is required when not certain/known if card is subject to SCP exemption

- SCP Flag to be set
- MIT Agreement is required



Travel & Hospitality Secure Corporate Payments – PSD2 RTS Impact

Allows an Issuer to apply the Secure Corporate Payment Exemption to “Legal Persons”



ISSUER



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CORPORATE*



ONLINE BOOKING TOOL



TRAVEL MANAGEMENT
COMPANY

← Issuers are responsible for putting in place or updating contractual obligations with their “Legal Person” entities to confirm their requirements

Issuers are responsible to properly identify these cards issued to “Legal Persons” during authentication and authorization processing

← “Legal Person” entities such as Corporates are responsible for putting in place or updating contractual agreements with customer facing third party agents that operate the secure corporate (booking or purchasing) processes and protocols to confirm

- that to accept cards a secure access must be offered to the “legal person” cardholder, a secure platform must be used to process the on-line booking and secure connections must be in place between all third party agents that are involved in the processing and switching of the transaction
- whether only cards offered to a “legal person” may be accepted and if other cards may also be accepted to indicate which ones are subject to the SCP exemption

*In context of the SCP Exemption and although it refers to “corporate”, this is not restricted to corporate cards only. Any payment card is subject to the exemption as long as it is issued to a Legal Person, i.e. with corporate liability (e.g. could be a government entity)



Travel & Hospitality Secure Corporate Payments – PSD2 RTS Impact

Allows an Issuer to apply the Exemption only when the on-line Booking is completed with Secure and dedicated Payment Processes and Protocols



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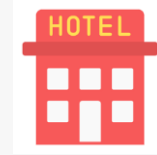
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ONLINE BOOKING TOOL



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COMPANY



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ACQUIRER



**Travel Agents must use secure platform,
processes and protocols that allow a secure
environment**

**Travel Agents are responsible for correctly
identifying the secure corporate platform
through SCP flag**



Travel & Hospitality Secure Corporate Payments – PSD2 RTS Impact

Allows an Issuer to apply the Exemption only when the on-line Booking is completed with Secure and dedicated Payment Processes and Protocols



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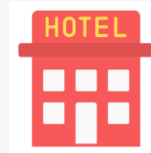
CORPORATE



ONLINE BOOKING TOOL



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ACQUIRER

Travel Suppliers are responsible for putting in place or updating contractual agreements with the Travel Agents to confirm

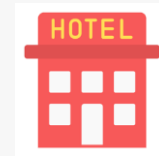
- acceptance of cards subject to the Secure Corporate Payment exemption requires a secure access to be offered to the “legal person” cardholder, a secure platform must be used to process the on-line booking and secure connections must be in place between all third party agents that are involved in the processing and switching of the transaction
- the SCP flag must be set and shared if and only if the above conditions are met
- authentication is obtained in case the Travel Agent cannot confirm that a card belongs to a legal person
- Travel Agents are responsible for putting in place or updating contractual agreements reflecting the above with other subcontracted third party agents

Acquirers are responsible for putting in place or updating contractual agreements with the travel suppliers to confirm the Travel Supplier responsibility



Travel & Hospitality Secure Corporate Payments – PSD2 RTS Impact

May operate in both Direct or Indirect Sales Model



- Direct Sales initiated authorisation transactions can carry the SCP flag
- Indirect Sales initiated authorisation transactions will carry the MIT indicator
 - During the Interim Indirect Sales Solution the MIT indicator or MOTO flag with “no proof of authentication”
 - In the Ultimate Indirect Sales Solution the MIT indicator with proof of authentication

Acquirers are only allowed submitting SCP flagged authorisations when the travel supplier can indicate to the acquirer that the transaction was initiated in a secure corporate environment

Acquirers submitting SCP flagged authorisations are responsible for ensuring that no transactions are sent by them to an issuer when the transaction does not comply with the PSD2 RTS regulation. Acquirers are responsible for putting in place controls to monitor the proper use of the SCP flag

Acquirers and Travel Suppliers must be aware that issuers may soft decline SCP flagged authorization transactions without prior authentication request

- **In such environment soft decline = hard decline**
- **Authentication with SCP flag allows issuer to confirm SCP exemption applies and offers merchant liability shift**



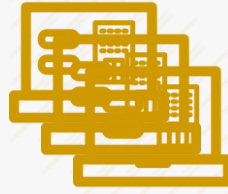
Travel & Hospitality Virtual Corporate Cards – Existing Situation



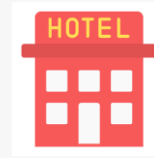
TRAVELLER



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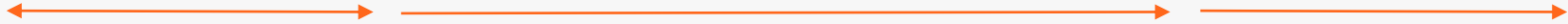
INTERMEDIARIES



TRAVEL SUPPLIER



PAYMENT



Direct Sales

- Travel Agent is Merchant of Record

Booking and VCN Details

- Quantification and qualification of the requested service
- VCN Card Details

Payment

Travel suppliers operate in a B2B model and typically have an agreement with the issuer and/or are aware of the Virtual Corporate Card as a payment instrument

- Issuer to apply security controls



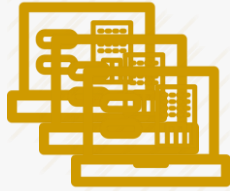
Travel & Hospitality Virtual Corporate Cards – PSD2 RTS Impact



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INTERMEDIARIES



TRAVEL SUPPLIER



PAYMENT



Direct Sales

Booking and VCN Details

Payment with or without proof of authentication

Authentication is recommended/required when the Travel Supplier is not certain or aware that the payment instrument is subject to SCP exemption

Issuer to apply SCP exemption either during authentication and/or authorisation



Questions?