

# Why 3DS Should Be a Pillar of Your Fraud Strategy

## Vesta Offers Zero-Fraud Guarantee Solutions That Leverage 3DS Intelligently to Increase Approvals

With online transactions projected to grow 85% in the next five years, it is more important than ever to invest in security. But despite the increase in online transactions, approval rates for digital payments (82%) are still significantly lower than brick and mortar (98%). This has led to a loss of revenue as transactions are rejected and frustrated customers go looking for better options.

Merchants and credit card companies needed a way to spot the fakes while keeping online approvals rolling for a consistent stream of revenue. As such, one of the first ways to secure online transactions and increase approvals was 3D Secure—a protocol that provided additional authentication to ensure that CNP transactions were legitimate.

Online fraud is projected to surpass **\$7.2B** in 2020

Source: LexisNexis

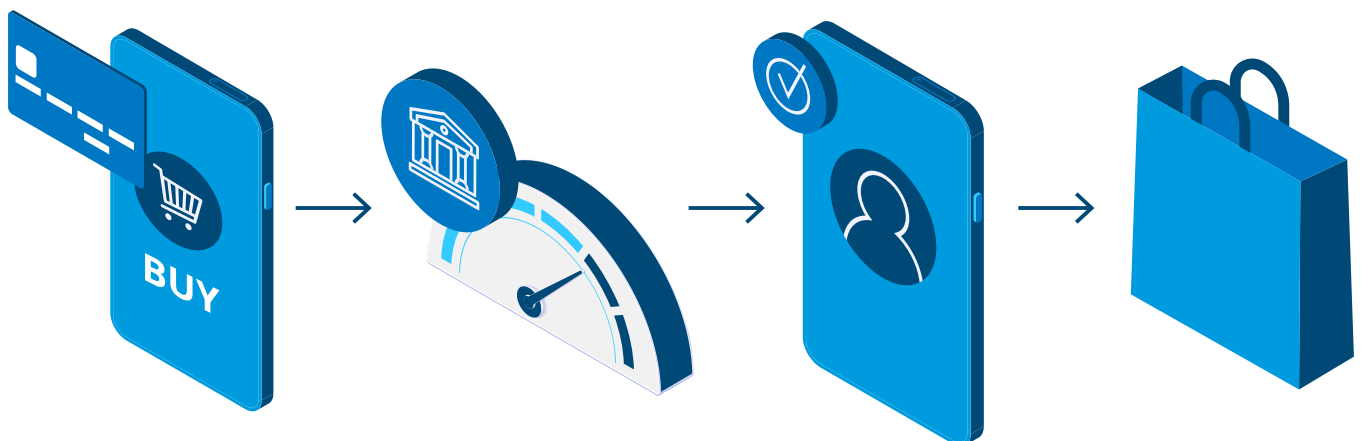
## In the beginning: The introduction of 3D Secure

3D Secure (which stands for three-domain secure) was developed in 1999 when e-commerce was just taking off, and was later implemented by major credit card companies like Visa and Mastercard in 2001. It was designed to add an extra layer of protection for merchants by providing additional authentication from the cardholder.



## How 3DS1 works

After a buyer entered their payment information online, the buyer would be asked to confirm their identity through an authentication page. Once authentication was verified, the purchase could go through. Otherwise, the purchase would be deemed fraudulent and declined.



## 3D Secure version 1 (3DS1) gave merchants peace of mind by creating:



### A SHIFT IN LIABILITY

Acceptance liability moved from the merchant to the issuing bank.



### CUSTOMER CONFIDENCE

Buyers knew their data was protected.



### LESS FRAUD

Even with credit card information in hand, a transaction could be stopped by the issuing bank's challenge.

## But it wasn't perfect

While 3DS1 was a step in the right direction, it came with a set of issues:

**Friction at checkout:** Buyers had to deal with out-of-context pop-ups or, worse, a redirect to a third-party's page for authentication.

**Cart abandonment:** Because who wants to hassle with a complicated checkout flow?

**Lack of mobile support:** 3DS1 was built for desktops. When buyers started turning to their phones for online shopping, 3DS1 couldn't keep up.

These roadblocks to revenue and customer experience limited the widespread adoption of 3DS1.

In 2014,  
the US saw  
conversion  
rates drop  
**43%** when a  
merchant used  
3DS1 in their  
checkout flow.

Source: Adyen

## Enhancing fraud management: Vesta's 3DS2 solution

In 2016, EMVCo (jointly owned by Visa, MasterCard, American Express, JCB International, and China Union Pay) released 3D Secure Version 2. The new version of 3DS introduced significant enhancements to secure customer authentication (SCA) and addressed the customer experience issues of the prior version.

Vesta is uniquely positioned to fine tune the 3DS decision-making process with superior analytics. Leveraging machine learning intelligence and 25 years of data, Vesta offers risk decisioning capabilities that can decide 1) when the 3DS challenge needs to be invoked and 2) when to fallback to 3DS1.. Both Payment Protect and Payment Guarantee products come with built-in configurations to invoke the right routing decisions for SCA and provide the necessary information to the issuer bank for the frictionless flow option.

### This means as a merchant you can:

**Maximize payment acceptance:** By shifting liability, merchants can accept more payments that might otherwise be declined.

**Conduct transactions with confidence:** Vesta brings turnkey management of 3DS integration and compliance so you can focus on growing your business.

**Gain stronger risk-based authentication and frictionless flow:** Merchants and banks get 10x the data for better risk assessment. Static passwords are replaced with one-time codes and biometric data. SCA is provided precisely when and where it is needed.

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## What you can expect from our 3D Secure 2



Greater payment acceptance



All integration, communication, and compliance handled by Vesta

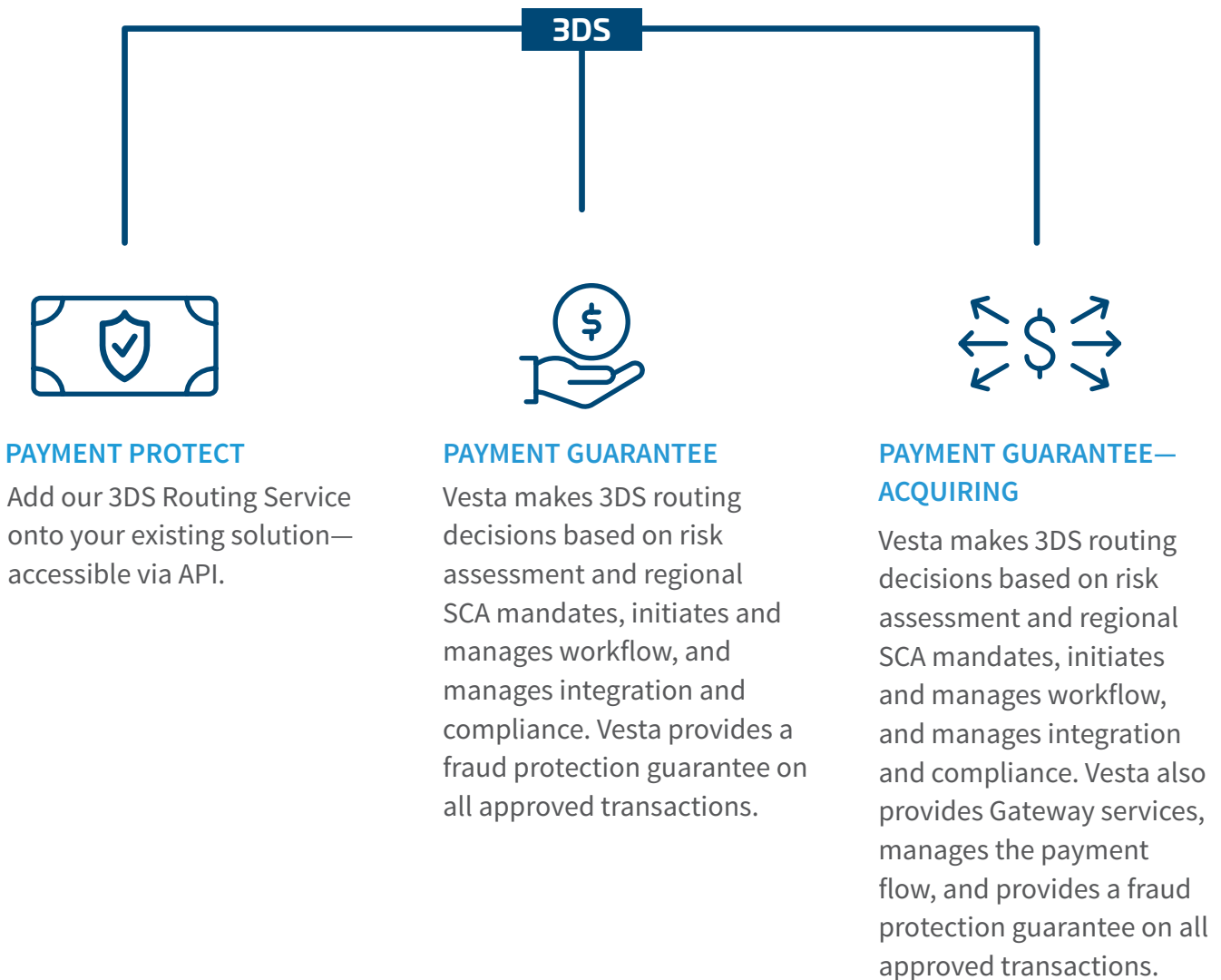


Reduced friction by providing Secure Customer Authentication (SCA) only when necessary

3DS1  
↑  
3DS2

Supports both 3DS1 and 3DS2, with an automatic fallback to 3DS1 when necessary

## How Vesta products leverage 3DS



Give your customers the security they deserve—free from friction. Learn how Vesta can help increase your revenue and mitigate fraud.

[Schedule a Demo Now](#)