

The background is a dark, textured surface with a grid of light gray lines. Overlaid on this are several geometric elements: a large orange circle on the right side, a smaller orange circle on the left, and several white lines of varying lengths and orientations. A white arrow-like shape points towards the top right.

BREAKTHROUGH

2017 LAC INNOVATION FORUM

Safeguarding Online Transactions, Reducing Fraud and Improving the Consumer Experience

Gustavo Kok, Dafiti Group
Frederico Trevisan, Santander
Dennis Gamiello, Mastercard

Introduction

- Authentication using 3D Secure has proven to reduce fraud and improve CNP approval rates;
- New technologies are making it possible to reduce friction and improve customer experiences;

Introduction

- This year, Santander and Dafiti worked together on a Mastercard guided implementation to spark a virtuous cycle and seed a healthy authentication ecosystem in Brazil;
- Dafiti agreed to request authentication in all e-commerce transactions in the pilot as long as Santander guaranteed an Identity Check user experience or otherwise returned the customer without friction.

These are their stories...

The Dafiti Group Story...



Why Dafiti Group chose to take part?

We run a benchmark operation in Brazil:

- $\frac{1}{3}$ of the fraud of average players
- Extremely low fraud rejection rates

So why be part of such a project?

Why Dafiti Group chose to take part?

Debit Card: issuers require authentication for all non present Debit Card transactions in Brazil*

Credit Card: fraud prevention is **expensive**, and new things are coming out that should be a gamechanger (3DS 2.1)

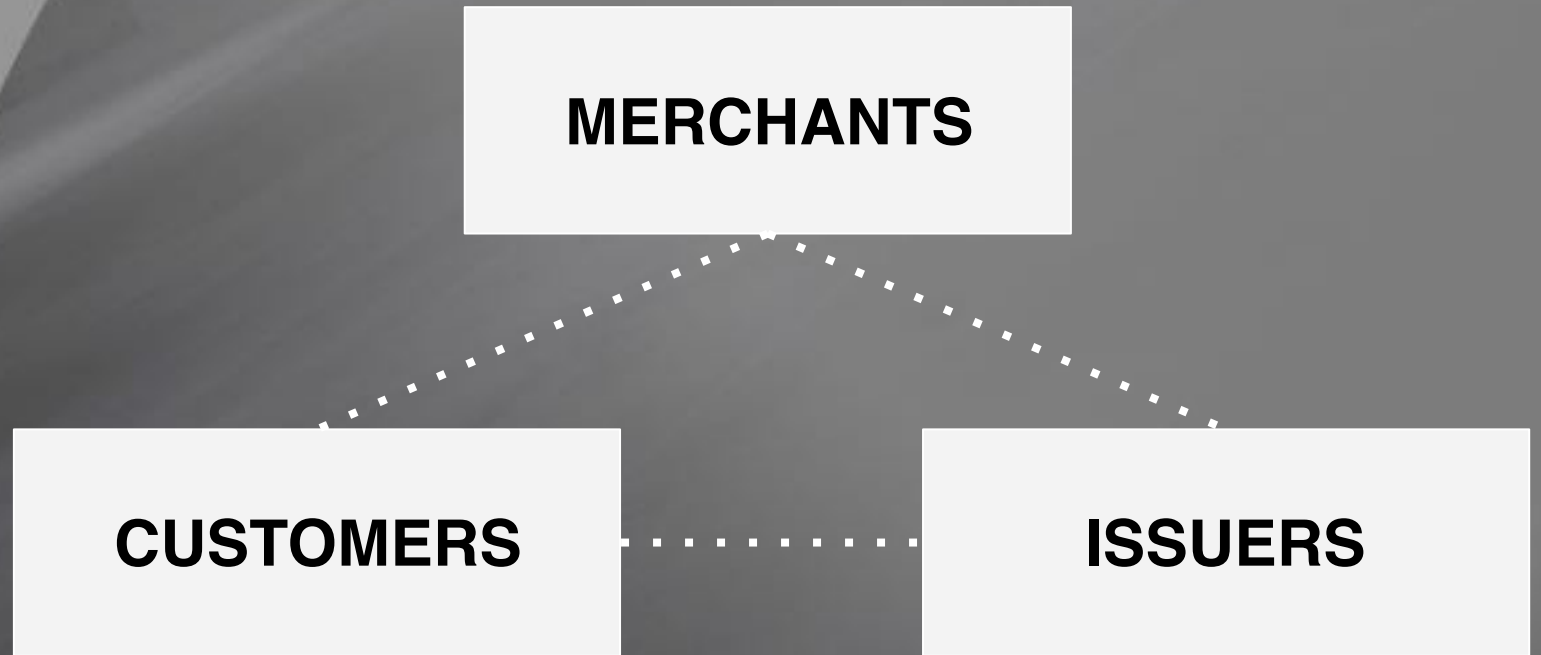
* Very few exceptions to this, with limited pilots in strict segments

What we want to achieve?

**Approve more,
with less friction,
in less time,
with less risk,
and lower cost.**

Where we are today

Brazil's adoption of 3DS is below 1%



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Merchants fear high impact on conversion rates and complain, among other things, of lack of mobile device support.

Where we are today

Brazil's adoption of 3DS is below 1%

Issuers have a number of different authentication flows, that can require plugins and/or security add-ons.

Does not always work with every browser version.

Where we are today

Brazil's adoption of 3DS is below 1%

Customers are wary of inserting PIN and other banking information on a screen outside their normal banking environment.

Você está em um ambiente seguro. As informações inseridas nessa área não são visualizadas ou armazenadas pelo Dafiti.

MasterCard
Recuperação

Santander

Data: 30/08/2017 Página 1 de 2

Loja: DAFITI COM BR

Valor: R\$ 13,99

Cartão: **** * 1717

Nome Postado: GUSTAVO FOR

Data de Validade: 11/2013

Opção: À VISTA

ID da Transação: 808645487E28jvL1MzOHQ6AAaAa

Reconfirme o Código de Segurança:

Serha do cartão:

Nenhuma das etapas aqui informadas são compatíveis com o estabelecimento comercial.

Banco Santander (Brasil) S.A. CNPJ: 06.908.988/0001-12 Inscrição Estadual: 15.080.740/0001-11
Estrada Aracaju e Funchal s/nº Banco Central do Brasil

SITE BLINDADO
100% SEGURO

Where we are today

Risk of scaling 3DS with older authentication solutions

Fragile authentication, as many issuers base their auth flows on SMS OTP. **SIM swap** becomes a serious threat!



Where we are today

Risk of scaling 3DS with older authentication solutions

Exposure to phishing, as many issuers require customers to insert login, passwords, PINs and other info that could be used to commit fraud.

A fraudster could simply build similar screens and ask for other information.

Will the average Joe be able to detect something is fishy?

Dafiti wants to be part of
the solution

Dafiti wants to be part of the solution

We need to break the vicious cycle...

Issuers

"Very few merchants use 3DS, why should I invest time and effort on authentication?"

Merchants

"Issuers offer a bad experience. Why should I even bother with 3DS?"



Dafiti wants to be
part of the solution

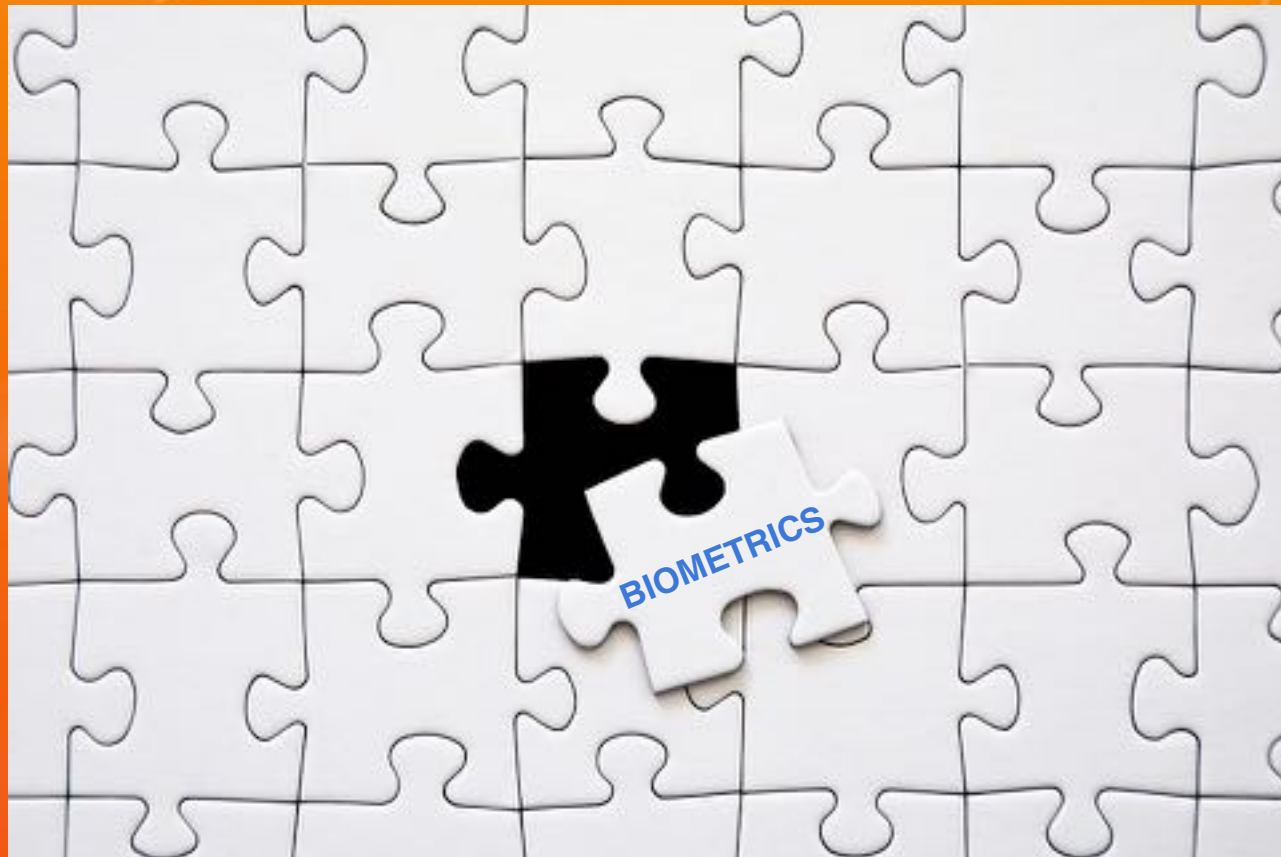
Let's **start working** to be part of the
solution and not part of the problem.

And biometrics authentication is pretty
cool.

Biometrics is not a silver bullet...



But an important piece in
a larger puzzle



Biometrics as a means and not the end

We want biometrics to provide a **low friction** and **secure authentication** method when a challenge is necessary.

With **3DS 1.0**, we do not expect to have 100% of our credit card transactions authenticated (even with biometrics).

But a new protocol might just change this...

EMV 3DS is (almost) here

2Q18 – Mastercard's
Early Adopter Program

3Q18 – General
Availability

3DS 2.1 Protocol: more information flowing to issuers and better scoring models being used in authentication.

We expect issuers to increase the # of transactions to be approved without friction.

If a challenge is needed, solutions such as **ID Check Mobile** can kick in providing strong 2-factor authentication with very low friction.

No more passwords. No Tokens. No PINs.

The Santander Story...



E-commerce Scenario

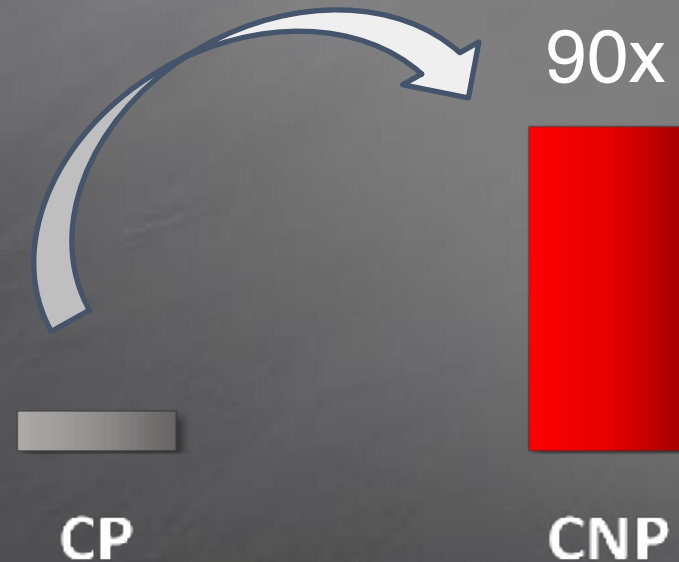
Fraud Concentration

Low Approval Rates

100 MM debit cardholders unable to make e-commerce transactions in Brazil

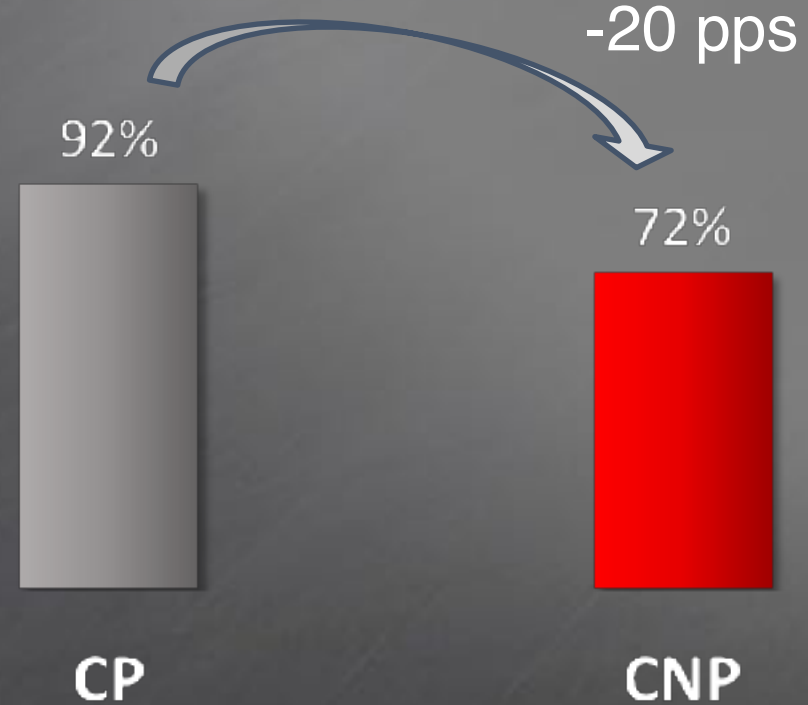
E-Commerce Fraud

Card Not Present transactions currently concentrate over 90% of the fraud



E-Commerce Approval Rates

Card Not Present approval rates are 20 pps lower than that of Card Present



Debit Cards... a blue ocean

Debit card is barely accepted online as it requires authentication.

Retiring former SecureCode experiences:

For customers: exposure of banking credentials and extra validations

For merchants: previous methods create friction and checkout abandonment

The Challenge

Implement strong authentication for fraud prevention

Good experience for the customer

Efficient checkout experience for the merchant

Identity Check Mobile

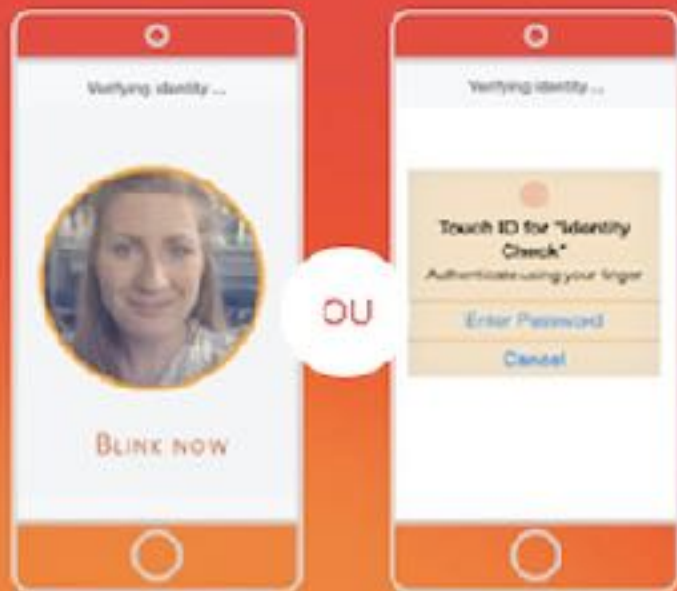
Strong two-factor authentication

Good user interface

Facial recognition is compatible with most smartphones

Wow factor!

Invitation to Pilot



RECONHECIMENTO
FACIAL

IMPRESSÃO
DIGITAL

E você é nosso convidado exclusivo para testar esta novidade.

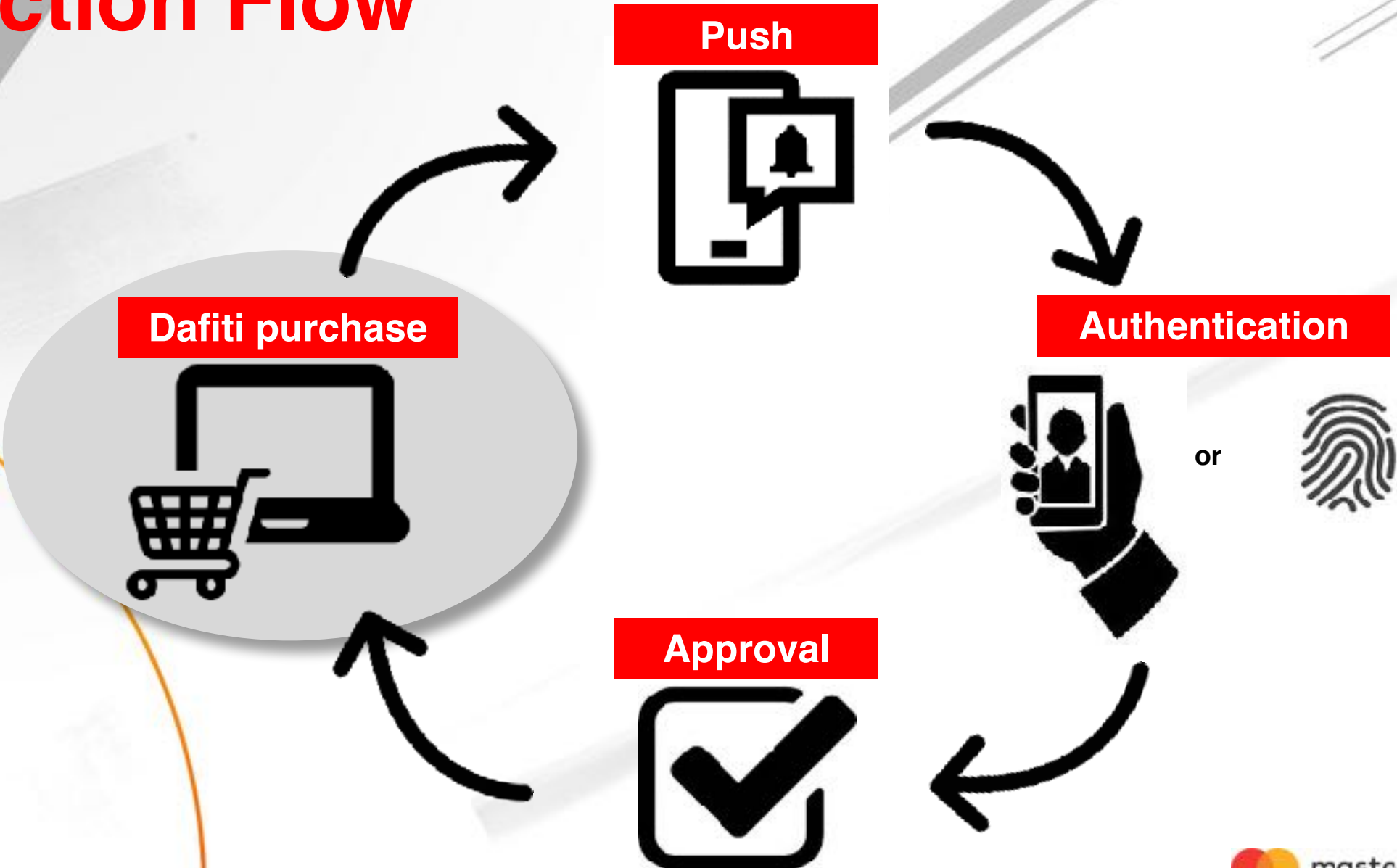
Para tornar a sua experiência ainda melhor, o **Santander**, a **Mastercard®** e a **Dafti** oferecem um cupom de **R\$ 60,00 de desconto em compras acima de R\$ 300,00**, para ser utilizado exclusivamente em compras com o **ID Check**.

O SEU VOUCHER DE DESCONTO:

<Voucher Desconto XXXXXXX>


Válido até XX/XX/XX

Transaction Flow



User Experience

Você está em um ambiente seguro. As informações inseridas nessa área não são visualizadas ou armazenadas pela loja.

MasterCard SecureCode 


Data: 25/11/2017
Loja: DAFITI.COM BR
Valor: R\$ 29,89
Cartão: XXXX XXXX XXXX 3490
Nome Portador: GUSTAVO KOK
Data de Validades: 04/2024
Opção: A VISTA


Utilize seu aplicativo MasterCard IdentityCheck para se autenticar e prosseguir com sua compra.











Aguardando autenticação pelo aplicativo.
Se já realizou a autenticação pelo aplicativo, por favor aguarde alguns segundos.


[cancelar](#)


 **SITE BLINDADO**
100% SEGURO


13:41 | Sun, November 25 


    

Calls  **Text messages**  **Mobile data** 





Samsung Connect 

 **Gear 3S (467%)**







 **MasterCard IdentityCheck para Santander** 13:37
MasterCard IdentityCheck para Santander
Verifique a transação de R\$ 29,89 realizada na loja DAFITI.COM BR.

 **Phone** 13:41
New voicemail
Vivo

[BLOCK NOTIFICATIONS](#) [CLEAR ALL](#)

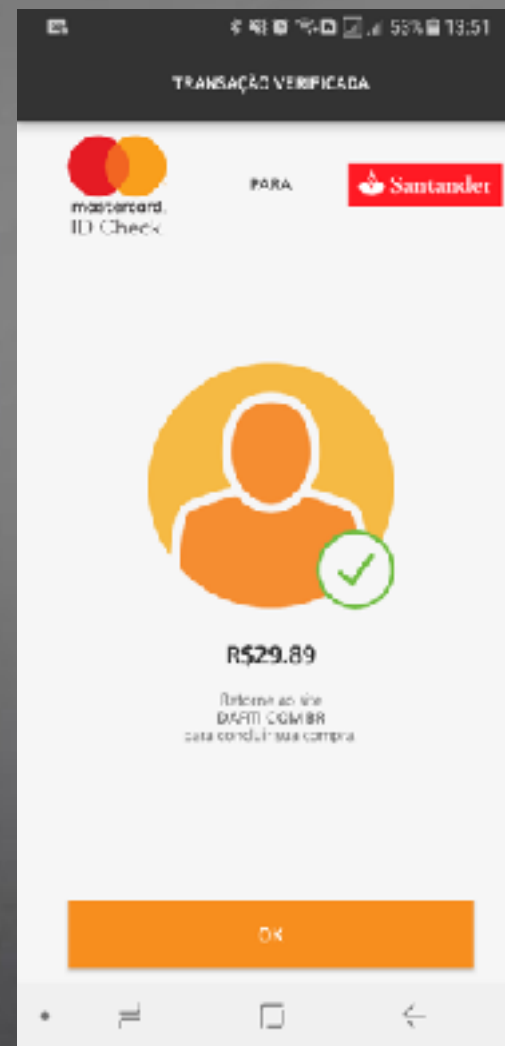
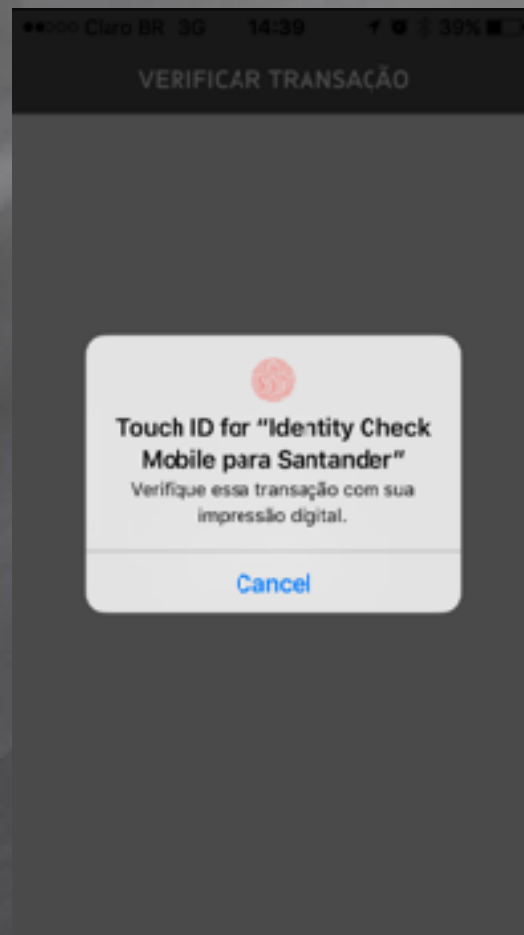
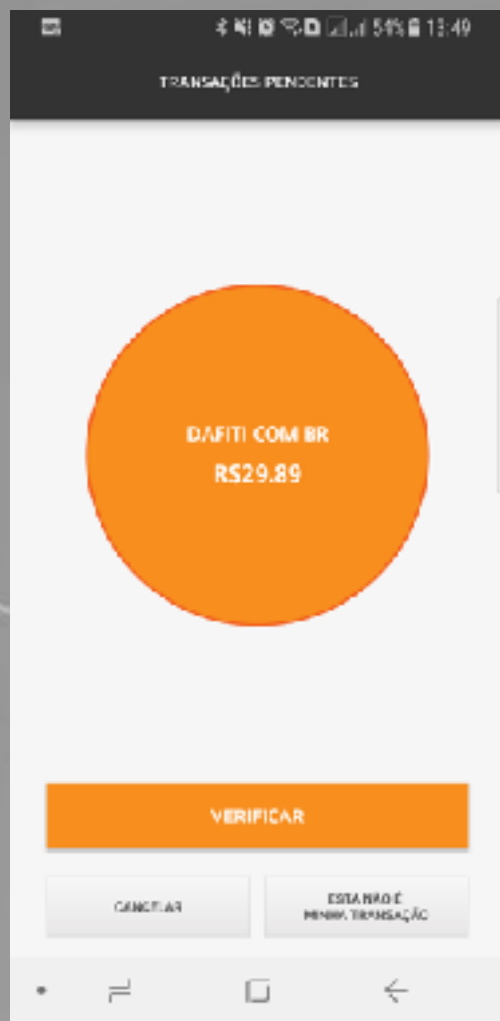
   

Way dafiti tricas k.

Claro BR | Vivo

User Experience



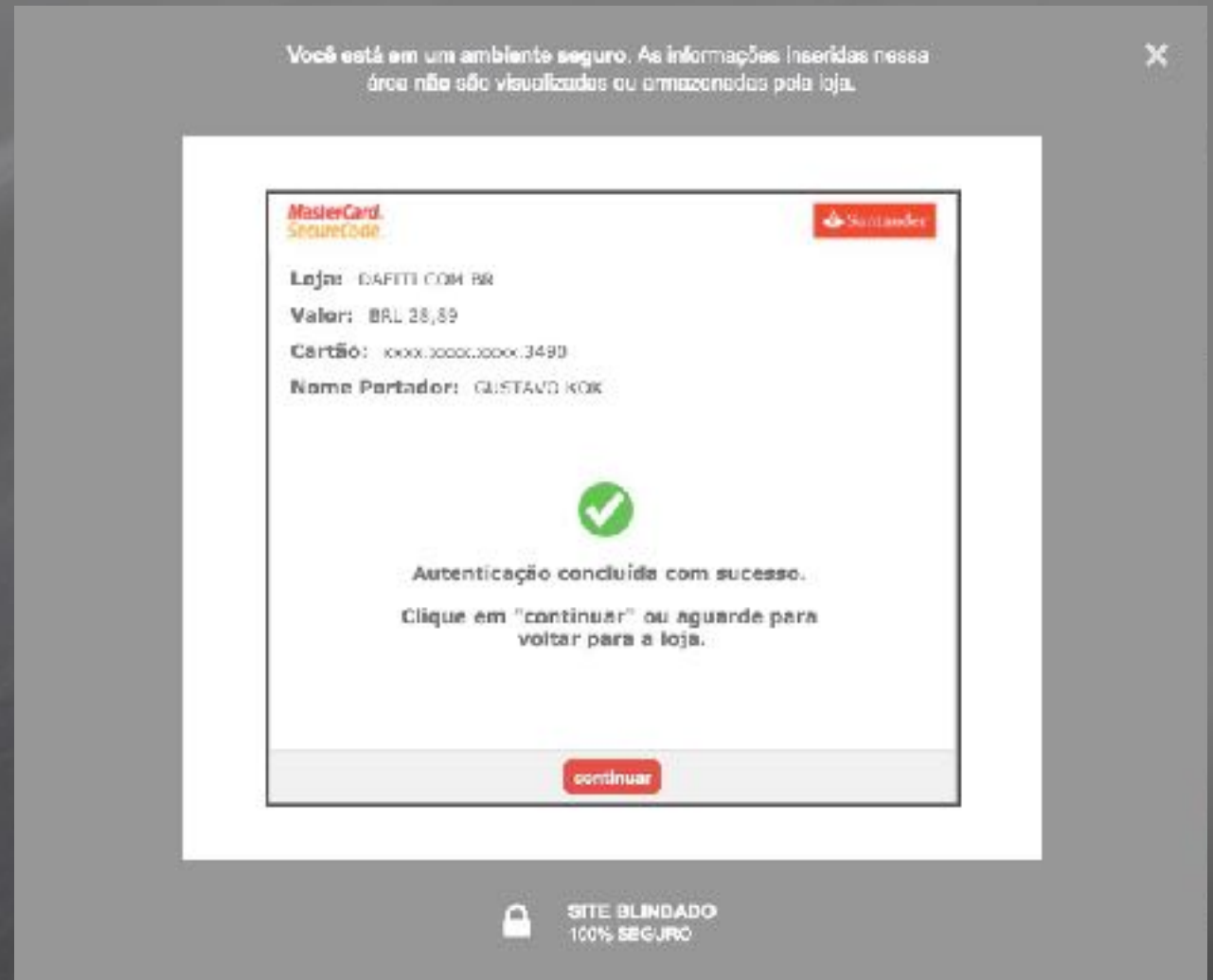
MOBILE

MOBILE

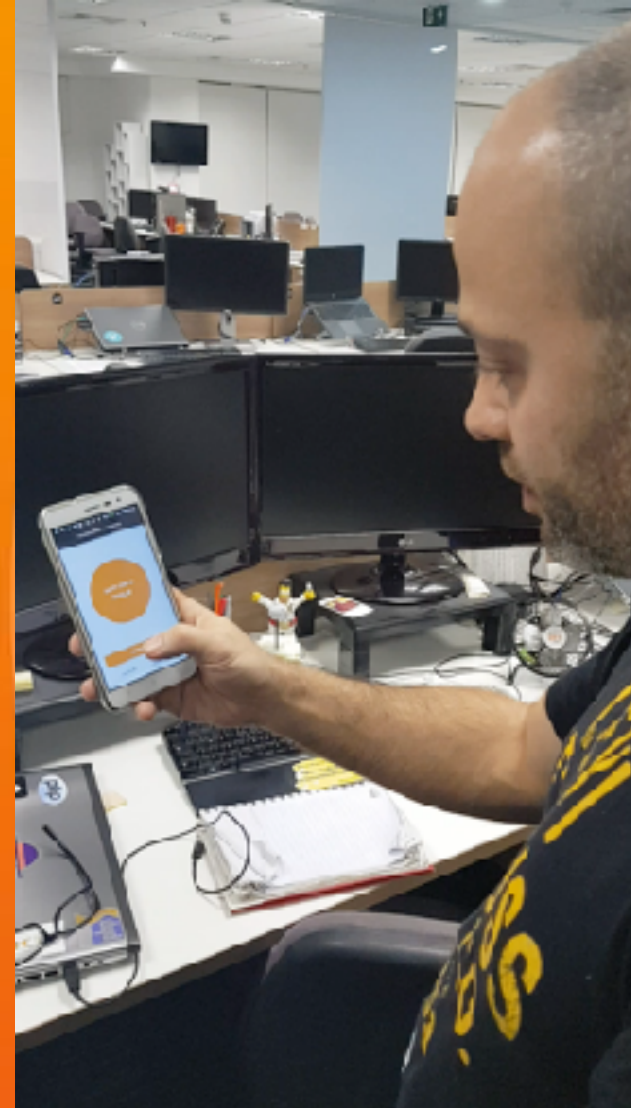
MOBILE



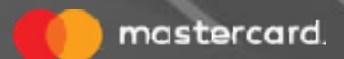
User Experience



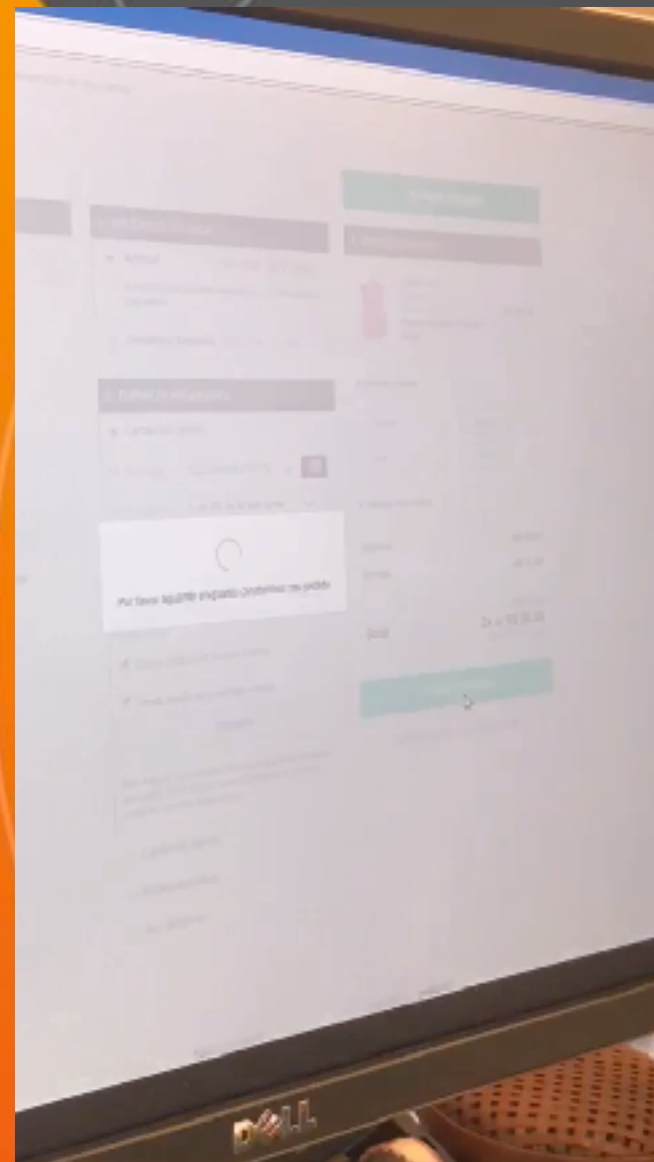
Behind the scenes



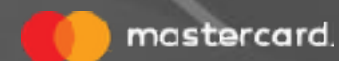
Dafiti's 1st selfie authenticated transaction
Credits to Mr. Sugamele (Dafiti Engineer) and team



Behind the scenes



Mastercard team in action
Credits to Lu Leal and Soraia Andrade



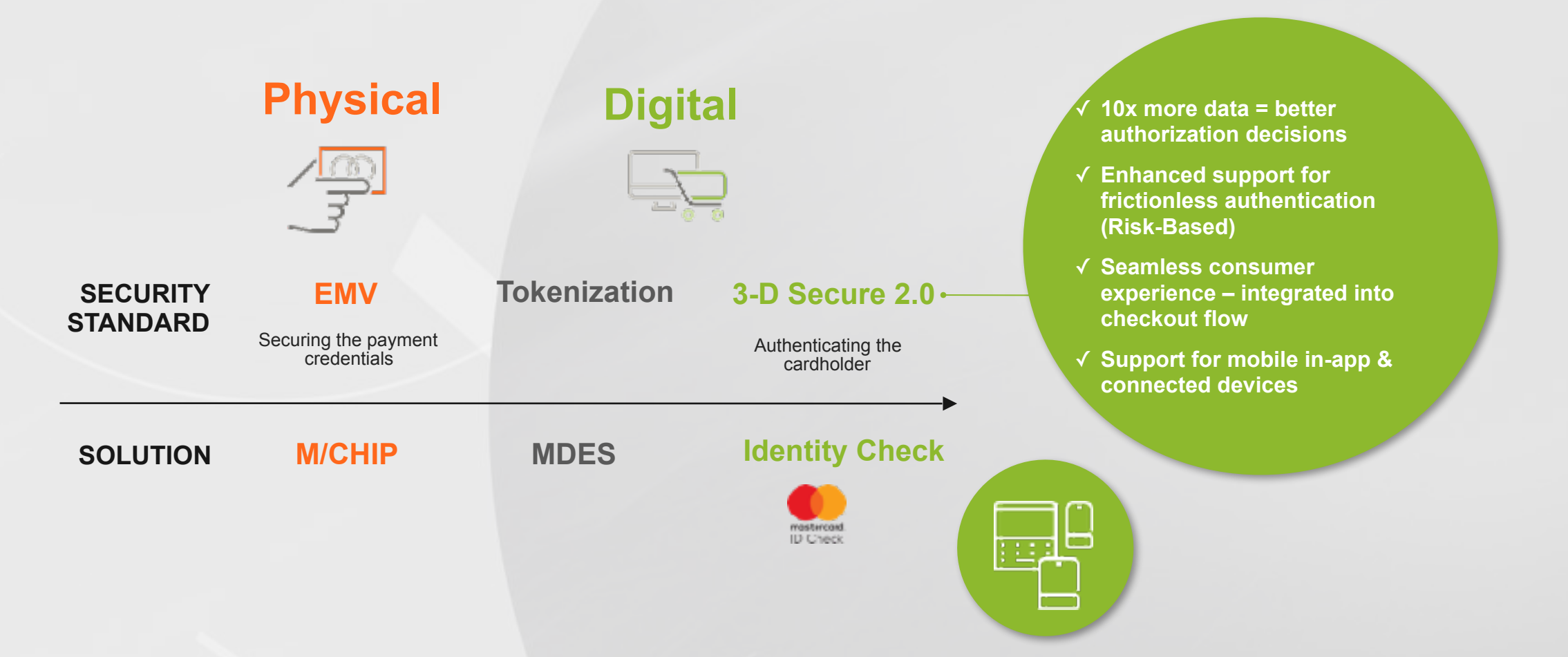
What's next

- Integration with mobile banking app
- Add Risk Based Authentication (RBA)
- New authentication factors (Iris Scan)
- IoT and Mobile commerce support with 3DS 2.1

Mastercard – What's next?

The background features a dark grey, almost black, field with several overlapping, semi-transparent geometric shapes in various shades of grey. On the right side, there are two large, thin, curved lines: one in a bright orange color and another in a reddish-orange color, which appear to be part of a larger, partially visible circular or elliptical design.

Security standards in the payment industry are evolving...



New standards and technology will enhance the experience and the value we deliver to consumers

Standard

3DS 1

Limited incremental data,
multiple steps for
consumer

Authentication
Technology

Passwords,
Security Questions,
One-Time Passwords

Consumer
Experience

Guest Checkout
PC/Browser

Solutions

**MasterCard.
SecureCode.**

Benefits

**Reduce fraud,
increase approvals**



3DS 2.1

Rich data exchange,
Integrated experience,
low friction

Biometrics,
Behavioral analytics,
Risk-Based Authentication

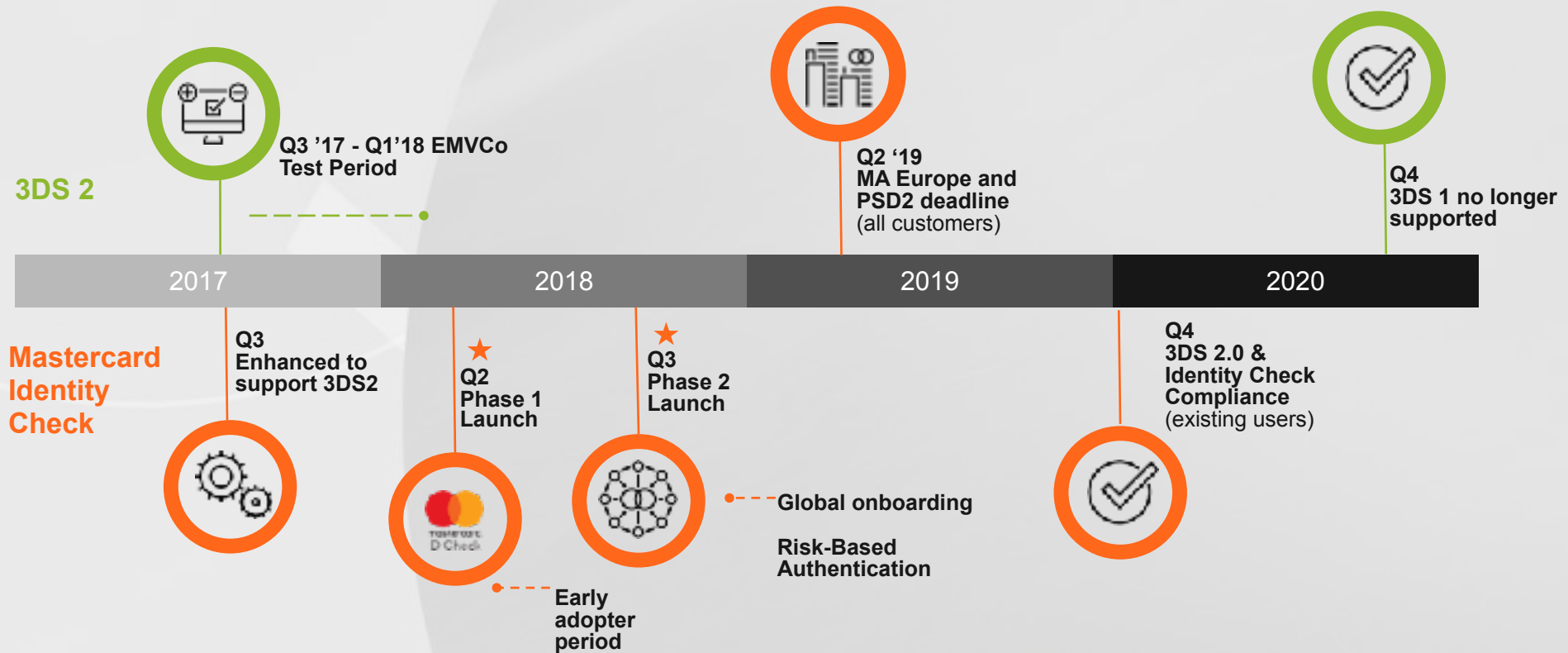
Card-on-file, Wallet, Enrollment,
Mobile, In-App, IoT



**Benefits extended to a
broader set of digital
transactions**



3DS 2 Roadmap



A simple and secure payment experience is a win for everyone. Now is the time to take action.



Consumers

- **Eliminates the frustration** of managing and remembering passwords
- Provides strong **protection** for consumer's financial data
- **Minimizes disruptions** to cardholders due to decreased fraud



Financial Institution

- **Decreases fraud** by eliminating static passwords
- Enhances cardholder **engagement** and loyalty
- Increases revenues via **increased transaction completion** rates
- **Lower customer service costs** due to fewer calls and password resets
- Enables new features and capabilities—including **risk-based authentication & biometrics**



Merchants

- Helps drive revenue by **reducing cart abandonment** and **increased approval rates**
- Hassle-free authentication can help merchants **gain greater share** in their category
- Authenticated transactions have higher **authorization approval rates**

Questions & Answers