PSE Payment Gateway Conference

GDPR: Gateway and merchant impacts and opportunities

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Introduction to Walker Morris

- Top 100 UK law firm
- Largest single site practice outside London
- Over 470 staff including 48 partners and 250 lawyers
- Full service commercial law firm with 27 practice areas ranked in Chambers & Partners
- Nearly 90% of our partners are ranked by Chambers & Partners and Legal 500
- 54% of our top 50 clients have been clients for over 10 years
- Revenue from international clients increased by 12% in last 5 years. International clients now account for a fifth of our revenue

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Regulatory & Compliance Group

- Financial services
  - team includes former FCA and SFO investigators
  - payment services
- Information law
  - data protection
- Other services include:
  - anti-bribery / anti-money laundering
  - environment
  - health & safety / inquests
  - food safety
  - fraud
  - modern slavery

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What is GDPR and why should I care?

European data protection law

- What about Brexit?

12 months to go

- No transitional provisions

Applies to all personal data

- Not just payment card data

Significant increase in fines

- up to greater of €20 million or 4% of global annual turnover

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Overview of key changes under GDPR

- Harmonisation
- Territorial scope
- Personal data definition
- Registration with ICO*
- Data protection officers
- Privacy by design and default
- Obligations on data processors
- Consent
- Right to be forgotten
- Right to object to profiling
- Right to data portability
- Subject access requests
- Security of processing
- Pseudonymisation
- Data security breaches
- Enforcement

*Information Commissioner's Office

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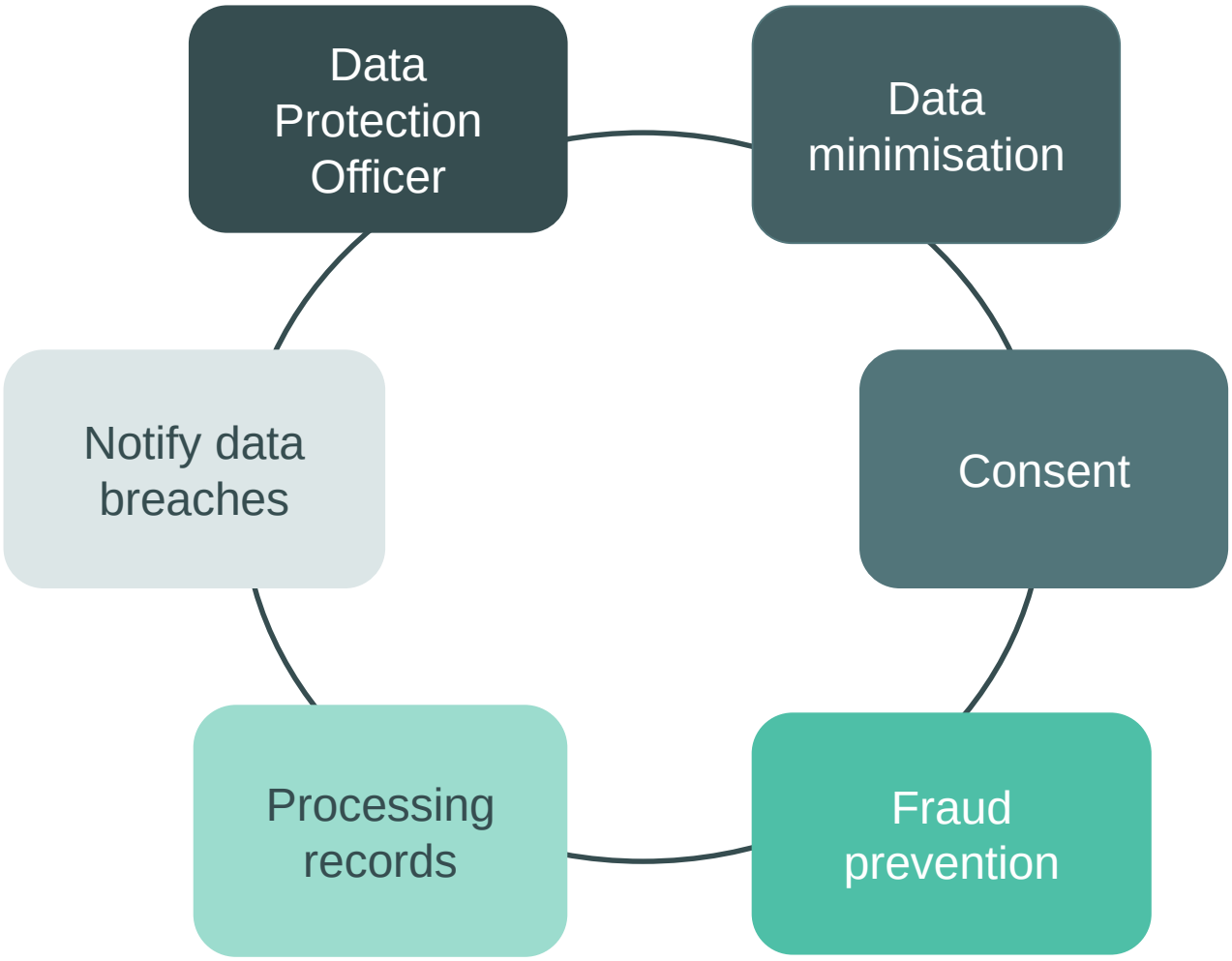
What does this mean for a gateway's operations?



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What does this mean for a gateway's IT systems?

- Appropriate technical and organisational security measures
  - "Appropriate" not defined
  - no "one-size fits all"
  - risk-based approach depending on circumstances
  - similar to PCI DSS but for all personal data
- Right physical and technical security, backed up by robust policies and procedures and reliable, well-trained staff

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What about a gateway's data centres and call centres?

- EU and UK
  - Brexit
- US
  - Privacy Shield
- Rest of the world
  - adequacy decisions
  - model contract clauses

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What does this mean for contracts with gateways?

- Greater service costs for gateways?
- Lengthier negotiations re allocation of risk?
- Review existing contracts
  - Contracts with processors must include specific provisions
- “Future-proof” new contracts?
  - BUT still waiting for ICO guidance

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GDPR Gateway Opportunities

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23rd May 2017

Opportunities for Payment Gateway Providers

1	Tokenise	Wider Tokenisation of Payment Details	Wider Pseudonymisation of Customer Data
2	Secure	Secure Data Access	Secure Data Storage
3	Audit & Insure	Impact/ Compliance Audit	Data Breach Insurance

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1a. Tokenisation

Wider Tokenisation of Payment Details	**Wider Pseudonymisation of Customer Data**
Secure Data Access	**Secure Data Storage**
Impact/ Compliance Audit	**Data Breach Insurance**

- Extension of current tokenisation services for PANs to bank account details (and possibly other APMs)
- Replace structured payment details with proxy tokens
- **In-house** delivery using existing tokenisation services

Gateway Benefits	MEDIUM
Effort to Deploy	LOW

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1b. Pseudonymisation

Wider Tokenisation of Payment Details	**Wider Pseudonymisation of Customer Data**
Secure Data Access	**Secure Data Storage**
Impact/ Compliance Audit	**Data Breach Insurance**

- Pseudonymisation = anonymising data so that it can only be used to identify individuals by using additional info eg a unique identifier
- Obfuscate/anonymise a wide range of in-scope customer data from name through to address, DOB, etc.
- More complex due to different structure of the data and the difficulty in using proxy tokens
- **In-house** delivery using existing tokenisation services

Gateway Benefits	MEDIUM
Effort to Deploy	HIGH

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2a. Secure Access

Wider Tokenisation of Payment Details	**Wider Pseudonymisation of Customer Data**
Secure Data Access	**Secure Data Storage**
Impact/ Compliance Audit	**Data Breach Insurance**

- The GDPR expects personal data to be protected against unauthorised or unlawful processing and against loss, destruction or damage; It also gives individuals a right of access to their data
- Provide higher security data access to customer data (e.g. strong customer authentication – 2FA, biometrics)
- **In-house** extension of services offered by 3DS 2.0 and other identity management services

Gateway Benefits	MEDIUM
Effort to Deploy	MEDIUM

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2b. Secure Storage

Wider Tokenisation of Payment Details	**Wider Pseudonymisation of Customer Data**
Secure Data Access	**Secure Data Storage**
Impact/ Compliance Audit	**Data Breach Insurance**

- GDPR requires strong, secure storage of data
- Provide data processing services for in-scope data in a secure manner – particularly for data captured for payments
- **Partner** with secure storage 3rd parties, or deliver **in-house** using existing services

Gateway Benefits	MEDIUM
Effort to Deploy	LOW

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3a. Impact Assessment

Wider Tokenisation of Payment Details	**Wider Pseudonymisation of Customer Data**
Secure Data Access	**Secure Data Storage**
Impact/ Compliance Audit	**Data Breach Insurance**

- The GDPR provides the ICO with the power to carry out investigations in the form of data protection audits.
- Carry out an audit of a merchant's business to determine impact, gaps and path to resolution
- Could be provided on a one-off or regular basis – can be linked to insurance premiums
- **Partner** with a relevant QSA to deliver services

Gateway Benefits	MEDIUM
Effort to Deploy	LOW

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3b. Insurance

Wider Tokenisation of Payment Details	**Wider Pseudonymisation of Customer Data**
Secure Data Access	**Secure Data Storage**
Impact/ Compliance Audit	**Data Breach Insurance**

- Similar to PCI DSS insurance product, with premiums reduced as a result of technical implementation of services and audit
- Would pay out if the merchant was subject to a breach
- Could be linked to the impact/ compliance audit list
- **Partner** with an insurance company

Gateway Benefits	LOW
Effort to Deploy	LOW

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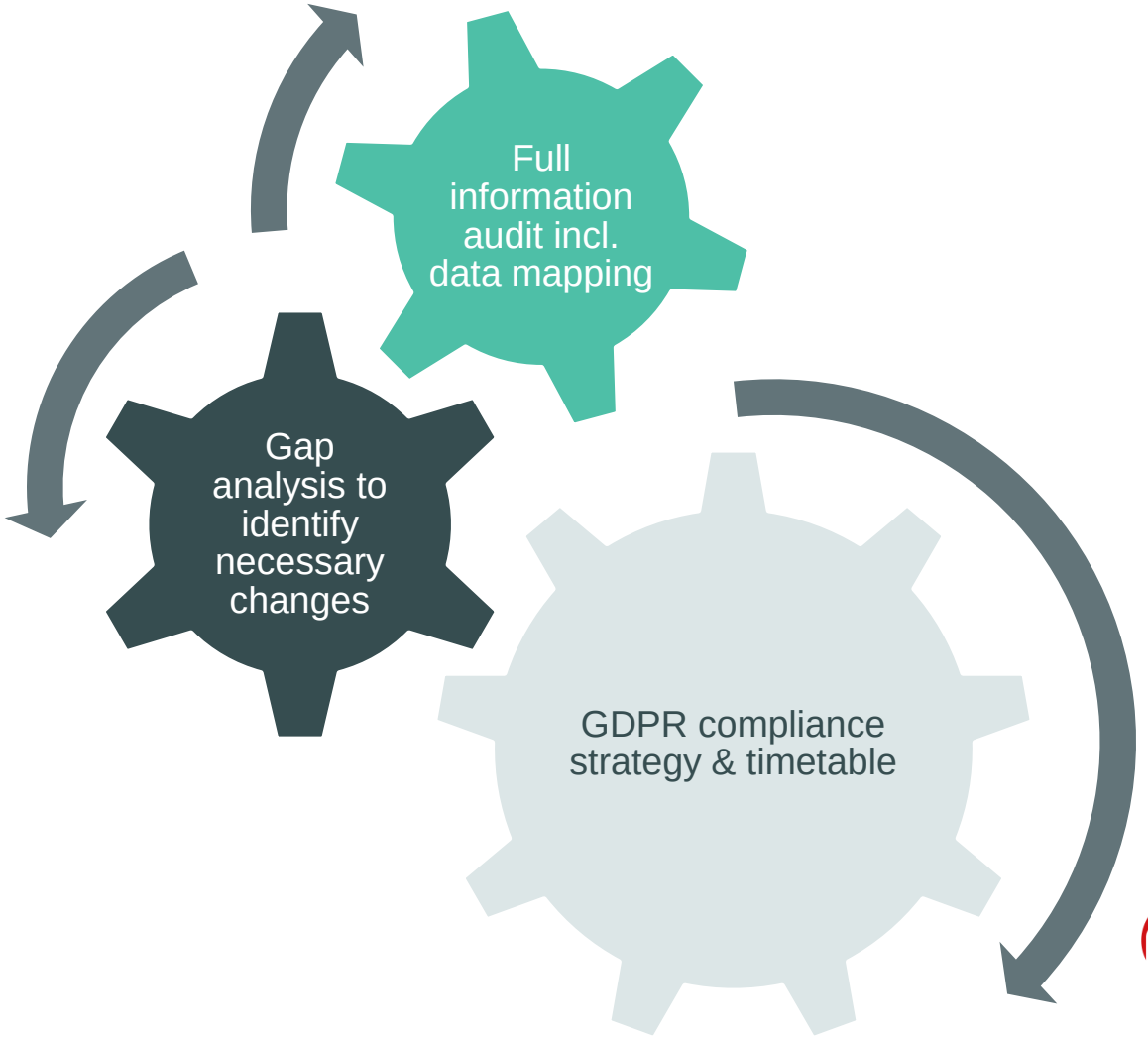
The countdown is on



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Don’t panic, be prepared

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Any Questions?

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