



An update on EU regulatory developments

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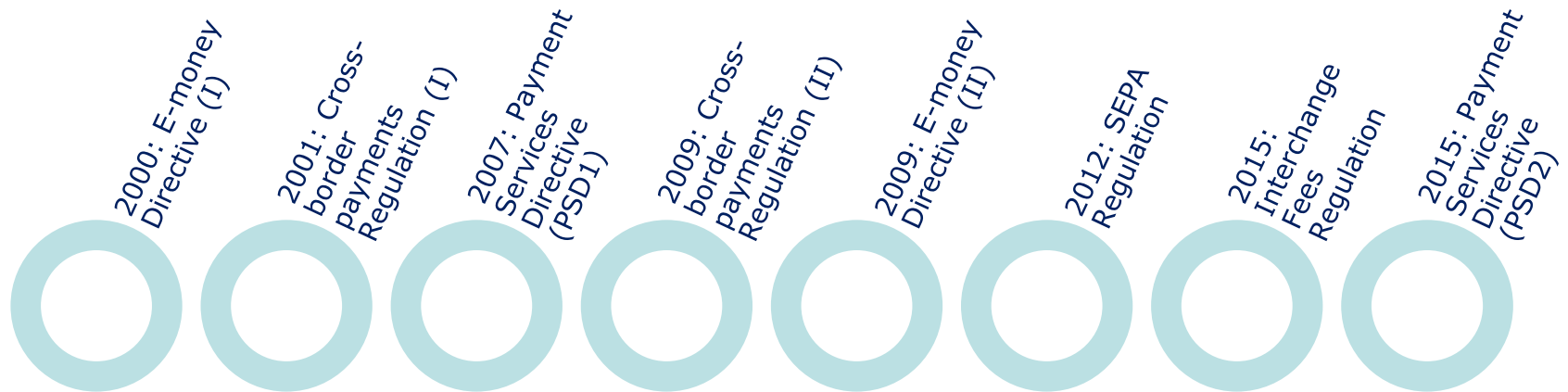
EU regulatory developments

- *Overview of EU payments law*
- *PSD2*
 - **Main content**
 - **Open banking - RTS SCA/CSC**
 - **State of play transposition**
- *Charges and Proposal to amend Regulation 924/2009 on cross-border payments*

Payment Services Acquis

- *Payment Services Directive (PSD1/PSD2)*
- *Electronic Money Directive*
- *Cross-border Payments Regulation (No 924/2009)*
- *SEPA Regulation (No 260/2012)*
- *Interchange Fees Regulation*

Payment Services Acquis - timeline



PSD2 - Transposition

Date of application: 13 January 2018

Status transposition as of 1 June 2018:

Full transposition	Partial transposition	Not transposed
17	4	7

Infringement proceedings have been initiated in March against Member States that have not communicated transposition

PSD2 - main changes in a nutshell

- *Modernisation of PSD1 framework to address future challenges in the field of payments and promote innovation*
- *Address diverging interpretations and application of provisions across Member States under PSD1*
- *Improve security of payments to enhance consumer trust to make payments online*
- *Better cooperation between MS to ensure more effective supervision of licenced entities*

PSD2 - scope

- *Only electronic payments - cash payments, cheques not in scope*
- *Payment services described in Annex of PSD2; **NEW:** payment initiation services and account information services*
- *Some services specifically excluded (Article 3)*
- ***NEW:** Applies also to transactions where only one of the PSPs is located in the Union, but only with respect to the parts of the payment that are carried out in the Union (one leg)*

PSD2 - payment institutions (PIs)

- *PIs entitled to provide payment services, as one of the categories of payment service providers (PSPs)*
- *Rules regarding authorisation, initial capital, own funds, safeguarding, activities of PIs, use of agents, branches and outsourcing in Title II*
- *Provisions describing powers of competent authorities for example: withdrawal of an issued authorisation*

PSD2 - rights and obligations

- *Rules on information that shall be provided to PSUs for example: information on charges for currency conversion*
- *Authorisation of payment transactions, including liability for unauthorised or incorrectly executed payments and refunds **NEW**: reduced maximum loss in case of fraud (from €150 to €50)*
- *Security of payment transactions, including authentication, management of operational and security risks and incident reporting; **NEW**: strong customer authentication to reduce fraud*

Commission delegated Reg. 2018/389 (RTS on SCA/CSC)

Security of payments	Standards for communication
<ul style="list-style-type: none">• General authentication requirements (chapter II)• Requirements for strong customer authentication (SCA) (chapter II)• Exemptions to SCA (chapter III)	<ul style="list-style-type: none">• Requirements for common and secure open standards of communication applying to all access interfaces open to TPPs (chapter V)• Specific requirements for dedicated interfaces (chapter V, Art. 32)• Conditions for use of fall-back option in case interface is not working (properly) (Chapter V, Art. 33)
<ul style="list-style-type: none">• requirements to ensure the integrity and confidentiality of the security credentials (Chapter IV)• Security of communication sessions (art. 35)	<ul style="list-style-type: none">• Use of certificates for identification of TPPs (Art. 34)• Rules on exchange of data between TPPs and account servicing payment service providers (Art. 36)

PSD2 - open banking (1)

- *PSD2 requires banks to provide account information to TPPs*
- *Communication must allow identification of TPPs and exchange of security certificates*
- *Only information needed for a transaction to be obtained*
- *Two options for interfaces*
 - **Adapt the customer online banking interface**
 - **Create a dedicated interface which would then be mandatory for TPPs**
- *Dedicated interfaces best for rapid development of the market for new payment services*

PSD2 - open banking (2)

- *PSD2 does not mandate a standard Application Programming Interface (API)*
- *RTS empowers banks to mandate it:*
 - **TPPs must use banks' APIs, no more 'screen scraping'**
 - **provided the API is of good quality; otherwise: adapted online banking interfaces as a fall-back for TPPs**
- *RTS provides incentives for standardization:*
 - **Banks want to avoid costs of fall-back**
 - **...and can be exempted by NCA if they provide an API that is accepted by all market players**
 - **Use of standardized APIs increases chances of exemption**

PSD2 - API market initiatives

- *National and cross-border initiatives working on standardised API specifications*
For example: Berlin Group, STET, Open Banking UK, Polish Banking Association
- *API Expert group set up by representatives of banks and TPPs (APIEG)*
Focus on API design and functionalities provided by the different API standardisation initiatives, analysis of possible shortcomings in market initiatives

PSD2 - Implementation of RTS SCA/CSC - Relevant timelines

- *RTS entered into force on 14 March 2018*
- *Application of new security measures regarding the communication with TPPs to be ensured 18 months after*
 - >> **RTS applicable as of 14 September 2019**
- By then, banks will be required to have in place a secure communication interface between themselves and TPPs
 - >> **Testing facility** to be made available by ASPSPs
6 months before 14 September 2019 >> March 2019

PSD2 - Implementation support

EBA in process of preparing:

- *Q&A tool on PSD2*
- *Opinion to facilitate the implementation of the RTS on SCA and CSC*
- *Guidelines to facilitate the application of Article 33(6) by national authorities, banks and TPPs (exemption from the fall-back mechanism):*
 - Assumption that dedicated interface has been operative for some time so that the conditions can be assessed by the national authorities
 - Widely used by TPPs for at least 3 months

Charges for payments - Acquis

- **SEPA** significantly reduces costs for cross-border transactions in euro
- **Regulation 924/2009 on cross-border payments** tackles charges for payments in euro
- **IFR** caps fees for debit and credit card transactions
- **PSD2** prohibits surcharges for the use of such cards and charges exceeding the direct costs borne by the payee

Regulation 924/2009 - Charges for payments in euro

- Applies to **euro cross-border transactions in euro countries**; possibility for non-euro countries to opt in (only Sweden)
- All electronic payments in scope
- Full consistency with PSD
- Basic principle: same charges for national and cross-border payments in euro

Proposal of 28/3/18 to amend Regulation 924/2009

- *Charges for **euro cross-border transactions** should be the same as for national transactions (in domestic currency) also in **non-euro** countries*
 - *Covers 80% of cross-border transactions of non-euro MS*
 - *Euro infrastructure already in place, cross-border euro payments can be made at very low costs*
- *Transparency requirements in currency conversion*
 - *Ensuring consumers can compare costs of transacting either in local or home currency, when dynamic currency conversion services ("DCC") are offered*
 - *Mandate to EBA to develop RTS*