



BANCO DE PORTUGAL
EUROSYSTEM

Developments in the security of retail payments

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Contents

- **Security of retail payments – Current landscape in Europe**
- **Main developments in the last year**
- **Role of the EBA, SecuRe Pay & other entities**
- **Next steps**





Main topics in the domain of payments security

- Payments security and risk mitigation measures a central issue
- Payment Services Directive 2 – A relevant step
- New regulatory initiatives to be completed
- New fraud types continuously being identified





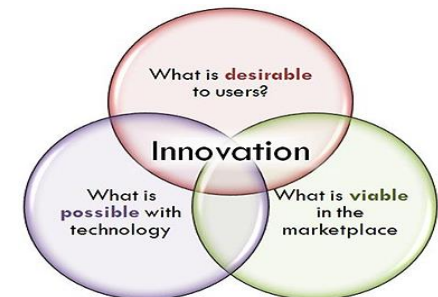
Main topics in the domain of payments security

➤ **Revised Payment Services Directive includes security-related aspects:**

- i. information sharing among authorities
- ii. use of strong authentication procedures
- iii. security of credentials

➤ **Clarification be provided, e. g. in the domain of Third Parties**

➤ **Growing complexity of the payments ecosystem**





PSD2 – Publication and entry into force



- **Payment Services Directive 2 published on 23 December 2015**
- **Entry into force on 13 January 2016**
- **However, some of the contentes will apply later on**
- **Need for Technical Standards – Mandates attributed to the European Banking Authority**

EU Directive 2015/2366 of 25 November 2015 of the European Parliament and of the Council
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2366&from=EN>



PSD2 – Focus on security

- **Regulates the need for using Strong Customer Authentication procedures: use at least two of the following**
 - i) Something you have (possession)
 - ii) Something you know (knowledge)
 - iii) Something you are (inherence)
- **Incident reporting**
- **Secure Communication channels – for activity of Third Parties**
- **Account Information Services (AIS)**
- **Payment Initiation Services (PIS)**

**Access to
Payment
Accounts**



PSD2 – Current challenges

- Most of the current market developments in Europe as regards security of retail payments gravitate around the PSD2
- Mandates of the EBA
- Work carried out by the SecuRe Pay Forum for support
- Future adoption





Strong Customer Authentication



Article 97 Authentication

1. Member States shall ensure that a payment service provider applies strong customer authentication where the payer:

(a) accesses its payment account online;

(b) initiates an electronic payment transaction;

(c) carries out any action through a remote channel which may imply a risk of payment fraud or other abuses.

(...)

In EU Directive 2015/2366

- **Focus of concern: electronic/online/remote access**
- **Rules to be applied to Third Party Providers**



PSD2 confers mandates to the EBA

- The EBA shall work closely together with the ECB
- Development of Regulatory Technical Standards addressed to Payment Service Providers (PSPs) on
 - Authentication
 - and
 - Communication(Article 98)
- As a common resource of both the EBA and the ECB, the SecuRe Pay Forum has worked on these security aspects
- Draft RTSs shall be submitted to the EC by 13 January 2017





PSD2 confers mandates to the EBA

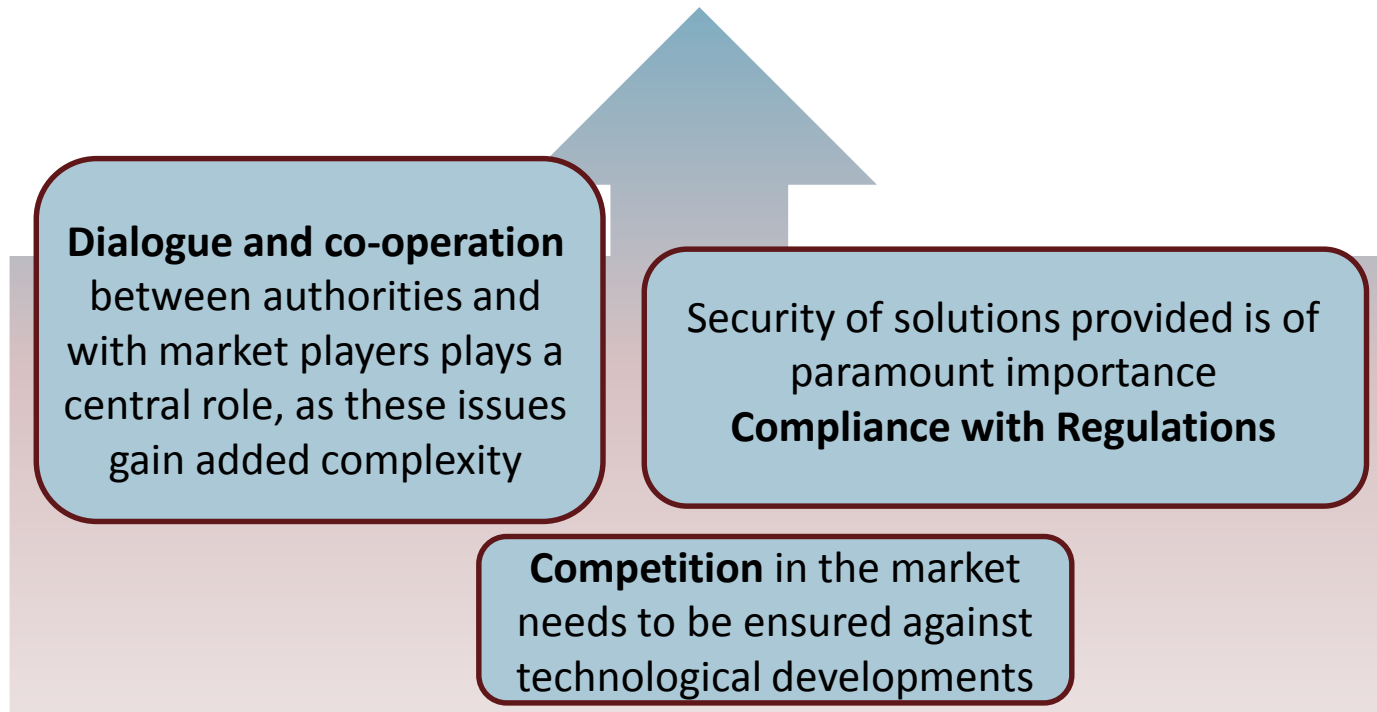


- **The EBA shall work closely together with the ECB**
- **Issuing of Guidelines on Incident Reporting (Article 96)**
- **Guidelines to be addressed to**
 - PSPs, on the classification & notification of major incidents
and
 - Competent Authorities, on the criteria of relevance
- **Guidelines shall be issued by 13 January 2018**



Outlook

- The area of payments security is very dynamic and deserves thorough attention by authorities as key to ensure confidence





Outlook

- The development of RTs and Guidelines draw the attention of the EBA and related resources such as the SecuRe Pay Forum in coming months
- Attention to be paid to further discussions on strong customer authentication mechanisms and common secure communication channels & credentials
- Activity of AIS and PIS providers in the context of the PSD2
- Need for constant cooperation between the catalyst role, the overseers and supervisors





Final remarks

- This is a complex ecosystem, where authorities aim at achieving a balanced approach combining integration, competition, choice for consumers and confidence in solutions
- All this against an ever-changing background!



- However, in a digital economy, 100% security doesn't seem feasible!





THANK YOU!

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