

An aerial photograph of a city skyline at sunset, with a green field in the foreground. The city skyline is visible in the background, with several tall buildings. The sky is a mix of orange, yellow, and blue. The foreground is a large, flat green field with a central canal or road. The overall scene is a blend of urban and rural landscapes.

New initiatives for payments legislative at European level

8th Conference on Payment and Securities Settlement Systems, Ohrid, 11-13 May 2015

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EUROSYSTEM

25-27/02/2015 4

Retail payment innovations & trends Judith Looman

Outline

- Regulation, yes or no?
- E-money Directive I & II
- Payment Services Directive
- Current review of PSD
- Payments accounts directive
- Regulation on interchange fees for card-based payment transactions

Since 2000 different European legislation initiatives have been launched concerning retail payments



Payments is a permanent changing environment to which legislation has to adapt. Adaption of legislation is a slow process and friction can arise between what's possible and what's desirable.



As a central banker, think along about legislation, so that innovations have a chance, but payments stay secure.



Regulation?

Reasons to regulate:



Drawbacks of regulation:



Regulation?

EU solution: proportionate regulation

Activity ► Risk ► Regulation

Banking Directives (national)

E-money Directive (1&2)

Payment Services Directive (1&2)

Payments Account Directive

Regulation on interchange fees

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Definition of e-money

'electronic money' means electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions and which is accepted by a natural or legal person other than the electronic money issuer;

Types of e-money include **pre-paid cards** and **electronic pre-paid accounts for use online.**

Main areas of e-money

1. Card-based e-money (e-purses):

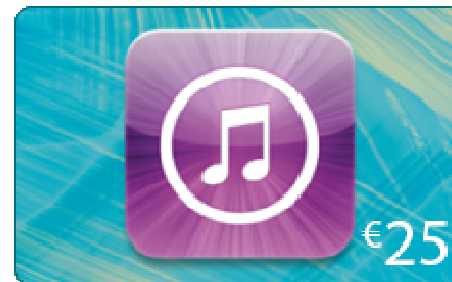
- Stored on a chip embedded in a card
- Card is used for authentication rather than for account information



Main areas of e-money

2. Software-based e-money (network money):

- Stored centrally on a server
- Controlled by issuer
- Remote access via computer
- Transmission via telco network or internet



Main areas of e-money

3. Pre-funded personalised online schemes:

- Online (non-traditional bank) accounts
- Accessible via Internet or mobile phone



PayPalTM



Main areas of e-money

Categories of “smart-cards”:

- Single-purpose
- Limited-purpose
- Multi-purpose



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E-money Directive: background

E-money Directive I (2000)

- Prudential requirements dominated
- Impediment to innovation

E-money Directive II (2011)

- To facilitate entrance for small issuers
- To foster innovation and competition
- To ensure consistency with the PSD

E-money Directive II: main changes

Main adjustments:

- ELMI's defined as financial institutions
- Clarification of the application of redemption requirements
- New prudential regime

E-money Directive II: main changes

Prudential changes:

- Initial capital for ELMI's reduced from EUR 1 million to EUR 350,000
- Replacement of investment rules by safeguarding
- Updated waiver
- Anti-money laundering rules

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Payment Service Directive

Adopted on 13 Nov. 2007

Implementation in national law by 1 Nov. 2009

Legal harmonisation for SEPA



Objectives PSD

1. Enhance competition → Definition of Payment Institutions
2. Increase market transparency → Requirements on information and transparency
3. Standardise rights & obligations → Rules on the relation user and provider

Scope PSD

Territory limits: EEA

Currency limits: euro or other EEA currency

5 categories of payment services:

1. Cash deposit & withdrawal services
2. Execution of payment transactions
3. Issuing & acquiring of payment instruments
4. Money remittances
5. Intermediary payment services

Payment institutions

Legal person granted authorisation...to provide and execute *payment services*;

May undertake non-payment services, but cannot issue e-money or accept deposits;

May grant credit subject to certain conditions;

May undertake safe-keeping activities

Information requirements

Information requirements:

- Apply to **all** PSP's
- Before, during and after payment execution

Distinction:

- Successive payment transactions
- Single payment transactions

Information requirements

- **Single payment transactions** -

Info to the payer:

Info to the payee:

- **Prior** –

Information needed Execution time
Charges
Exchange rate

Reference, payer
Amount
Charges
Exchange rate
Credit value date

- **After** –

Transaction Identifier, payee
Amount
Charges
Exchange rate
Date of receipt order

Rights & obligations

Obligations for the user:

- Act according to the contract
- Reasonable safety measures
- Direct notification of loss/theft

Crediting & value dating:

- Crediting: D+1
- Credit value date: D+1

PSD II

Motives:

- High degree of national flexibility
- To tackle new developments
- To ensure fair market access

PSD II

Main amendments:

- Definition of payment service provider
- Scope of the regulation
- Rights and obligations
- Requirements for transparency

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Payment Accounts Directive (2014)

- Access to payment accounts
- Comparability of payment account fees
- Payment account switching

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Regulation on interchange fees for card-based payment transactions

Article 3 Interchange fees for *x-border* consumer debit or credit card transactions

1. With effect from **two months after the entry into force** of this Regulation, payment services providers shall not offer or request for **cross-border debit card transactions** a *per transaction interchange fee* or other agreed remuneration with an equivalent object or effect of more than **0.2 % of the value of the transaction**.
2. With effect from **two months after the entry into force** of this Regulation, payment services providers shall not offer or request for **cross-border credit card transactions** a *per transaction interchange fee* or other agreed remuneration with an equivalent object or effect of more than **0.3 % of the value of the transaction**.

Regulation on interchange fees for card-based payment transactions

Article 4 Interchange fees for *all* consumer debit or credit card transactions

3. With effect from **two years after the entry into force** of this Regulation, payment service providers shall not offer or request a **per transaction interchange fee** or other agreed remuneration with an equivalent object or effect of more than **0.2 % of the value of the transaction for any debit card based transactions**.

4. With effect from **two years after the entry into force** of this Regulation, payment service providers shall not offer or request a **per transaction interchange fee** or other agreed remuneration with an equivalent object or effect of more than **0.3 % of the value of the transaction for any credit card based transactions**.

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