Recent developments in EU payments related legislation

Conference on Payments and Market Infrastructures
Ohrid, June 2019

Remo Croci
DG for Financial Stability, Financial Services and Capital Markets Union
European Commission

Objectives of the regulatory ecosystem

- *promote electronic payments*
- *enable new, innovative and secure payments and electronic money services to be designed*
- *ensure access to newcomers to the payments and electronic money market*
- *foster real and effective competition between all market participants*
- *limit regulatory burden & costs*
- *apply the same rules all over the European Union/EEA*
- *increase consumer protection*

Banking
and finance

Payment Services Directive - PSD2

Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC

PSD2 – Key dates

Date of application: 13 January 2018

Certain key provisions (Strong Customer Authentication, third-party providers - TPPs): 14 September 2019

Commission delegated Reg. 2018/389 (Regulatory Technical Standard on Strong Customer Authentication & Common and Secure Communication)

Security of payments	Standards for communication
• General authentication requirements (Chapter II) • Requirements for strong customer authentication (SCA) (Chapter II) • Exemptions to SCA (Chapter III)	• Requirements for common and secure open standards of communication applying to all access interfaces open to Third-Party Providers (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)
• Requirements to ensure the integrity and confidentiality of the security credentials (Chapter IV) • Security of communication sessions (Art. 35)	• Use of certificates for identification of TPPs (Art. 34) • Rules on exchange of data between TPPs and account servicing payment service providers (Art. 36)

Banking and finance

PSD2 - Implementation support

European Banking Authority:

- *Published Opinion to facilitate the implementation of the RTS on SCA & CSC on 13 June 2018*
- *Published Guidelines on the conditions to be met to benefit from an exemption from contingency measures under Article 33(6) of the RTS on SCA & CSC on 4 Dec. 2018*
- *Launched a Q&A tool on PSD2*

Banking
and finance

PSD2 - RTS SCA & CSC
Security of payment transactions

- *Strong customer authentication to reduce fraud - using at least two independent elements from the categories below:*
  - **Knowledge** (of a password or PIN)
  - **Possession** (e.g. card, code generating device)
  - **Inherence** (personal characteristics, e.g. fingerprint, voice)
- *Numerous exemptions:*
  - **Low value and contactless payments, transport/parking fees**
  - **Trusted beneficiaries and recurring transactions**
  - **Transaction risk analysis, if it keeps fraud levels low**

PSD2 - RTS SCA & CSC
Open banking (1)

- PSD2 requires banks to provide account information to TPPs (to which PSU has given consent)
- Communication must allow identification of TPPs and exchange of security certificates
- Only information necessary 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 - RTS SCA & CSC
Open banking (2)

- *PSD2 does not mandate a standard Application Programming Interface (API)*

- *RTS empower 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 contingency mechanism for TPPs**

- *RTS provide incentives for standardization:*
  - **Banks want to avoid costs of contingency mechanism**
  - **...and can be exempted by the competent authority if they provide an API that has been tested and widely used for at least 3 months by market players**

Banking and finance

PSD2 - API market initiatives

- *National and cross-border initiatives working on standardized 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 standardization initiatives, analysis of possible shortcomings in market initiatives
  >> **Recommended Functionalities published on 9 Nov. 2018 on EPC website**

Banking and finance

PSD2 - API *2019* initiatives

- *EBA working group on APIs under PSD2*
  - Chaired by EBA
    Representatives of stakeholders, national authorities, ECB and EC
  - Identify issues that emerge as the industry is preparing for the application date of the RTS on SCA & CSC

- *ERPB Working Group on a SEPA API Access Scheme*
  - Co-chaired by TPP and ASPSP representatives
    Representatives of stakeholders, the ECB, limited number of national authorities from the euro area. EBA and EC as observers
  - Going beyond PSD2 requirements, including value-added services that may be provided in the context of "open banking" within the contractual framework of the scheme

Banking
and finance

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** made available by banks
  6 months before 14 September 2019 >> **March 2019**

Legislation to lower costs (1)

Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges

- extends the benefits of cheap cross-border euro transactions to non-euro area Member States - applicable from 15 December 2019
- establishes additional transparency obligations for currency conversion practices with regard to card-based payments and credit transfers from 19 April 2020

Banking and finance

Legislation to lower costs (2)

Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions

- Prepaid and debit cards : 0.2% cap
- Deferred debit and credit cards : 0.3 % cap

Study on its application underway, due December 2019

Review of the Regulation in 2020

Banking and finance

Thank you for your attention!

Remo Croci
Directorate-General for the Financial Services, Financial Stability and Capital Markets Union (DG FISMA)
Retail Financial Services

✉ Rue de Spa 2, B-1049 Brussels
☎ +32 2 29 80751
💻 Remo.Croci@ec.europa.eu

Banking and finance