The Payment Services Directive 2
Background and Content

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Background

• Payment Services Directive (PSD1) – 2007/64/EU (in force 1 November 2009)
• Revised Payment Services Directive (PSD2) – 2015/2366/EU (in force EU 13 January 2018 – Norway ???)
  • Regulatory Technical Standards (RTS) (6 different)
    • Strong Customer Authentication (SCA)
  • Guidelines (5 different)
• EURO
  • 1 January 1999 – cross border currency in payments transactions
  • 1 January 2002 – notes and coins introduced
Additional regulation

• Payment Accounts Directive (PAD) 2014/92/EU (from 18 September 2016 – Norway???)
• Regulation on interchange fees for card-based payment transactions (IF regulation) (EU) 2015/751 (from 8 June/9 December 2015 and 9 June 2016 – Norway early implementation from 1 September/1 November 2016)
• Regulation on information accompanying transfers of funds (EU) 2015/847 (from 26 June 2017)
• 4th directive on anti money laundering and counter terrorist financing (EU) 2015/849 (from 26 June 2017)
• Regulation on the processing of personal data (EU) 2016/679 (from 25 May 2018)
Why was PSD2 created?

First, let’s introduce the Payment Services Directive (PSD)

The PSD was adopted in 2007. It created a single market for payments (essentially credit transfers, direct debits, cards) in the European Union. It provided the legal foundation for a Single Euro Payments Area (SEPA).

New players and services needed to be regulated

Since the PSD, the digitalisation of the European economy has steadily progressed. New services, provided by new players, have appeared for online payments. Problem: they were outside the scope of PSD, and therefore not regulated at EU level. An update of PSD was needed.

Towards an increasingly integrated EU single market

The objectives of PSD2 are to make payments safer, increase the consumers’ protection, foster innovation and competition while ensuring a level playing field for all players, including new ones.
• Improve consumer protection
• Contribute to a more integrated and efficient payments market in the EU
• Support the internal market and the euro
  • Lack of harmonisation between the local regulations hinders the operation of the internal market
  • Uniform regulation within every country in the EEA
• Significant technical innovation
• PSD1 – euro => PSD2 – all EEA currencies + all other currencies for that part that is handled within the EEA
• Increase competition by improving the level playing field for all payment service providers
• Make payments safer and more secure
• Encourage lower prices for payments
Main changes brought by PSD2
Acknowledgement of new players accessing the consumer’s payment accounts

- New players will now be registered, licenced and regulated at EU level.
- Barriers will be removed for these companies, therefore increasing competition, which should translate into lower costs for the customers.
- These new players will access the customers’ payment accounts to make payments on their behalf (via credit transfers) and to provide them an overview of their various payment accounts.
- Only with prior consent to the customers
• The institution (the bank) holding the payment account of the customer provides to these new players access to the account via an API (Application Programming Interface)

• It can be viewed as a messenger enabling information exchanges, taking a request from the new player, and returning an answer

• There shall be no need of an agreement between the bank and these new players
An increased security of Internet payments using Strong Customer Authentication (SCA)

- Reducing the risk of fraud for electronic transactions
- Enhancing the protection of the customer’s data
- For all electronic transactions, the SCA will mean that two or more of the following independent elements will be used:

<table>
<thead>
<tr>
<th>Knowledge</th>
<th>Possession</th>
<th>Inherence</th>
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<tbody>
<tr>
<td>Something only the user knows (password, PIN...).</td>
<td>Something only the user possesses (authentication code generated for the transaction, card...).</td>
<td>Something the user is (fingerprint, voice recognition...).</td>
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</table>
In addition an extra element for remote transactions (Internet, mobile)

• A unique authentication code which dynamically links the transaction to a specific amount and a specific payee
When will SCA have to be applied

• Each time the user makes a payment except in certain situations (exemptions), such as:
  • Below a certain amount (€ 30 – cumulative value € 100)
  • If the beneficiary is already identified
  • Contactless payments (€ 50 – 5 times in a row)
  • Unattended parking and transport terminals

• When users consult their payment account or an aggregated view of their payment accounts, using an additional service
  • The first time the account (or the aggregated view) is consulted
  • At least once a month
A broader geographical reach

- All transactions, including those with «one leg out» (at least one party is located within the EU) are in scope of the PSD2
- All official currencies
- Better information to customers
- Better protection of the European part of the transaction
And also

- Unconditional right of refund for direct debits up to 8 weeks after the payment

- Ban of surcharging for most card payments
  - Those card payments subject to interchange fee caps under the IF Regulation
    - Debit cards
    - Credit cards
    - A few exemptions
      - Commercial cards
      - Pure three party payment schemes (with exceptions)

- In case of unauthorised payments, the consumer will only pay € 50 (vs € 150 earlier) except with fraud or gross negligence
Who is who after PSD2

• **Credit institutions** (i.e. banks)
  • Broader activities than payments, for example receive deposits, give loans etc.

• **Payment institutions**
  • New participant defined by the PSD1
  • Can execute payments, but cannot hold deposits

• **Third Party Payment Service Providers (TPP)**
  • New participants introduced by the PSD2
  • Payment institutions which don’t hold payment accounts for their customers
  • More limited scope of activities

• **Payment Service Users (PSU)**
  • Natural or legal persons
  • Make and/or receive payments
  • Can interact as customers with all the previous organisations
The «new» roles after PSD2

- **Account Servicing Payment Service Providers (ASPSP)**
  - Provide and maintain payment accounts for customers
  - Banks and Payment institutions

- **Account Information Service Providers (AISP)**
  - Aggregate online information for multiple payment accounts
  - Offer customers a global view of their daily finances
  - One single place
  - Banks, Payment Institutions and TPP

- **Payment Initiation Service Providers (PISP)**
  - Facilitate the use of online banking to make a payment
  - Offers an alternative to the use of cards
  - Banks, Payment Institutions and TPP
Thanks for your attention