European Payments Council

PSD2 EXPLAINED

Includes a jargon buster!

Why was the revised Payment Services Directive (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.

Main changes brought by PSD2

PSD2 contains 117 articles...
Only the most important changes are explained here!

1

Acknowledgement of new players accessing the customers' payment accounts.

New players will now be registered, licensed, and regulated at EU level. Barriers will be removed for these companies, therefore increasing competition, which should translate into lower costs for customers. These new players will access the customers' payment account (that's the **"XS2A"** - access to account) to make payments on their behalf (via credit transfers) and to provide them an overview of their various payment accounts. Obviously only with the prior consent of the customers!

How would this technically work ?

The institution holding the payment account of the customer provides to these new players access to the account, for example via an Application Programming Interface **(API)**. It can be viewed as a messenger enabling information exchanges, taking a request from the new player, and returning an answer.

2

An increased security of Internet payments using Strong Customer Authentication **(SCA)**

PSD2 aims at reducing the risk of fraud for electronic transactions, and enhancing the protection of the customers' data. For all electronic transactions, the SCA will mean that two or more of the following independent elements will be used:

Knowledge
Something only the user knows (password, PIN...).

Possession
Something only the user possesses (key material...).

Inherence
Something the user is (fingerprint, voice recognition...).

+ 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.
  - If the beneficiary is already identified.
- When users consult their payment account, or an aggregated view of their payment accounts, using an additional service.
  - The 1st time the account (or aggregated view) is consulted.
  - At least every 90 days.

3

A broader geographical reach

All transactions including those with 'one leg out' (at least one party is located within the EU, and no longer both) are in the scope of PSD2, and all official currencies (cryptocurrencies are excluded). It will offer a better information to customers and a better protection of the European part of the transaction.

And also...

4

The EPC SDD Core scheme rule of the unconditional right of refund for direct debits becomes a formal legal requirement (until up to 8 weeks after the payment).

5

Ban of surcharging for most card payments (those subject to interchange fee caps under the Interchange Fee Regulation).

6

In case of unauthorised payments, the customer will not pay more than: € 50 (vs € 150 before), except in certain situations such as fraud or gross negligence.

Who's who in the new PSD2 world?

1) DIFFERENT STATUTES

Credit Institutions
Defined in the Banking Directive (1977). Another term to say bank. Their activities are broader than payments (loans...).

Payment Institutions
(Defined in PSD). They can propose several services, directly linked to payments.

Third Party Payment Service Providers
TPP
Introduced in PSD2. They are Payment Institutions which don't hold payment accounts for their customers, and have therefore a more limited scope of activities.

Payment Service Users
PSU
They make and/or receive payments. Can be either natural or legal persons. They interact as customers with all these organisations.

2) SEVERAL POSSIBLE ROLES

Account Servicing Payment Service Providers
ASPSP
They provide and maintain payment accounts for customers.

Account Information Service Providers
AISP
They aggregate online information for multiple payment accounts and offer customers a global view of their finances, all in a single place, in order to help them better manage them.

Payment Initiation Service Providers
PISP
They facilitate the use of online banking to make a payment (which offers an alternative to the use of cards).

Calendar & next steps

24 JULY 2013
The European Commission publishes its PSD2 proposal.

OCTOBER AND NOVEMBER 2015
On 8 October, the European Parliament approves PSD2, so does the EU Council on 16 November.

23 DECEMBER 2015
PSD2 is published in the Official Journal of the EU.

12 JANUARY 2016
PSD2 enters into force.

THROUGHOUT 2017
The EBA finalises other guidelines and RTS required to implement PSD2.

27 NOVEMBER 2017
The European Commission adopts the final RTS on Strong Customer Authentication and secure and common communications. European Parliament and European Council have three months to scrutinise them.

23 FEBRUARY 2017
The EBA publishes the final draft RTS on Strong Customer Authentication and secure and common communications.

12 AUGUST TO 12 OCTOBER 2016
The European Banking Authority (EBA) consults on the draft Regulatory Technical Standards (RTS) on Strong Customer Authentication and secure and common communications.

13 JANUARY 2018
Deadline to transpose PSD2 in Member States.

AROUND SEPTEMBER 2019
18 months after the adoption and publication of their definitive version, the RTS on Strong Customer Authentication and secure and common communications enter into force.

Caveat: this infographic was created in March 2017 and last updated in November 2017. Some of its information, including the timeline, might evolve in relation to the EBA's and Commission's own calendars.

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