ELECTRONIC PAYMENTS IN THE EU

Review of the Payment Services Directive 2

June 2023

THE ELECTRONIC PAYMENTS LANDSCAPE

Essential to the economy: Electronic payments in the EU: €240 trillion in 2021 (€184.2 trillion in 2017).

PSD2 (Payment Services Directive 2) is the EU legislative framework for all electronic payments, € and non-€. It contains rules on consumer protection, security of transactions, licensing and supervision of payment service providers (PSP).

PSD2 needs an update, given all the market developments since 2015 (newer frauds, newer players/payment service providers) and innovations (contactless payments, QR codes, open banking).

FURTHER MEASURES TO REDUCE FRAUD

Strong Customer Authentication* (SCA), introduced by PSD2, has already done a lot to reduce fraud. The average value of fraudulent transactions across the EU decreased from 2020 to 2021 by almost 50% for card payment services providers.

* i.e. the mechanism requiring security authentication such as two-step authentication for logging-in/paying

But new types of fraud are constantly evolving, e.g. social manipulation fraud where the victim is tricked into authorising a payment to the fraudsters.
The proposal for a revised Payment Services Directive and new Payment Services Regulation will:

**MAKE**
- widely available a service to check whether the name of the payee and bank account number match each other, before a transfer is confirmed

**GIVE**
- victims of fraud a right of refund by their bank or other PSP, in specific circumstances

**HELP**
- banks and other PSPs cooperate against fraud through more fraud-related information sharing

**OBLIGE**
- banks to improve customers’ awareness about fraud

### Measures to Improve Consumers’ Payments Experiences

- **Strong Customer Authentication** will be made more accessible to disabled persons and others with difficulties
- **More transparency** regarding certain payments (overview of ATM withdrawal charges, estimated charges for payments to outside the EU)
- **Better availability of cash** (in shops without a purchase, easier for independent ATM providers)

### Measures to Support Fintechs

- **Improvements** to the functioning of open banking so that innovative payment services can be offered more efficiently.
- **Fairer competition** between banks and 1000+ non-bank payment services providers, which should drive down prices.
- **Streamlining of rules** for some 270 e-money institutions and 800 payment institutions, simplifying administrative procedures.
- **Better and more harmonised** implementation and enforcement of the rules.
**FINANCIAL DATA ACCESS FRAMEWORK**

June 2023

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**TODAY: PROBLEMS IN THE CURRENT DATA FLOW PROCESS IN THE FINANCIAL SECTOR**

**WHY IS ACCESS TO DATA LIMITED?**

- Absence of rules and tools to manage data sharing permissions
  - Customers do not trust that potential risks are addressed fully
  - Reluctant to share their data

- Where customers want to share data
  - Rules are non-existent or unclear
  - Data holders are not always obliged to enable data access

- Data holders and data users interests diverge
  - Customer data and the technical infrastructure is not standardised
  - Data sharing is expensive

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**DATA HOLDER**
EG: FINANCIAL INSTITUTION

**DATA USER**
EG: FINTECH COMPANY

**CUSTOMER**

UNABLE to provide data-driven products and services

Lack of standardised APIs (Application Programming Interface) and data

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**RELUCTANCE and INABILITY**
to share data due to privacy/security concerns and unclear rules for data sharing

No tools to manage permissions

Request permission to access data

No legal obligation to share data
OBJECTIVES OF THE PROPOSAL

FUTURE: CUSTOMER DATA FLOWS AFTER IMPLEMENTATION OF FINANCIAL DATA ACCESS FRAMEWORK

PERMISSION DASHBOARD
- Enables customer to manage and control data permissions

CUSTOMER
- Request permission to access data
- Uses data to offer product/service

DATA HOLDER
- Provides standardised data
- E.g. Financial Institution

DATA USER
- API
- E.g. FinTech Company

DATA USE PERIMETERS
- Guidance on data use in the provision of financial services and products (insurance, creditworthiness)

BENEFITS

CUSTOMERS
- More transparency and control over their data sharing relationships
- Increased trust and confidence in data sharing
- More innovative and cheaper financial services to choose from

DATA USERS
- Increased access to key customer data sets would boost innovation
- Enabling new services and revenue streams for data users

EXAMPLES OF INNOVATIVE SERVICES USERS COULD GET

IMPROVED PERSONALISED FINANCE MANAGEMENT AND ADVICE
- By consolidating all personal financial data into a single dashboard
- EXAMPLE
  - Overdraft alerts and recommendations for lower interest rate products

ENABLE SME ACCESS TO A WIDER RANGE OF FINANCIAL SERVICES AND PRODUCTS
- EXAMPLE
  - More streamlined loan application processes
ELEMENTS OF THE FIDA FRAMEWORK

- **Explicit Customer Data Access Rights**
- **New Tools to Manage Customer Permissions**
- **New Rules for Data Users to be Supervised**
- **Standardised Data Access**
- **Cooperation through Financial Data Sharing**
- **Security Standards Respected**

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