European Commission

ELECTRONIC PAYMENTS IN THE EU

Review of the Payment Services Directive 2

June 2023

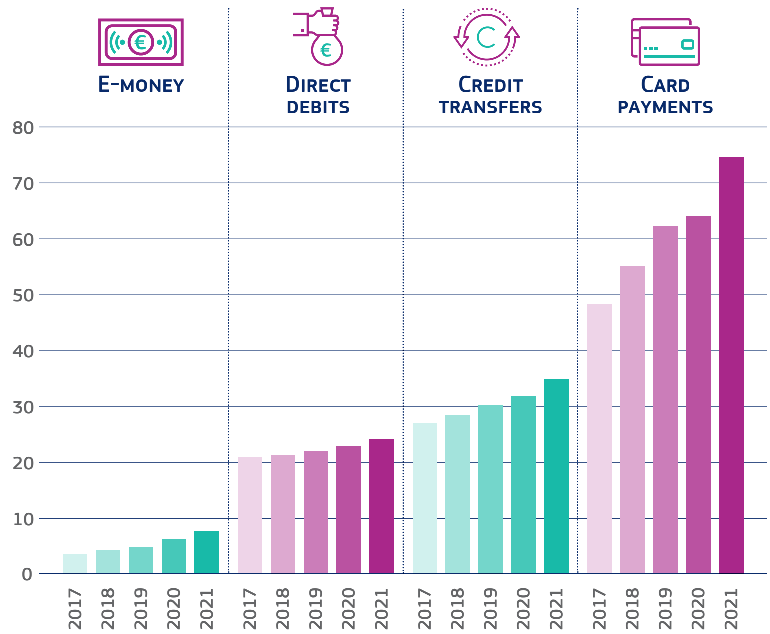
The Electronic Payments Landscape

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).

Number of cashless payments in the EU 2017 - 2021 (in billions)



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

HELP

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

GIVE

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

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

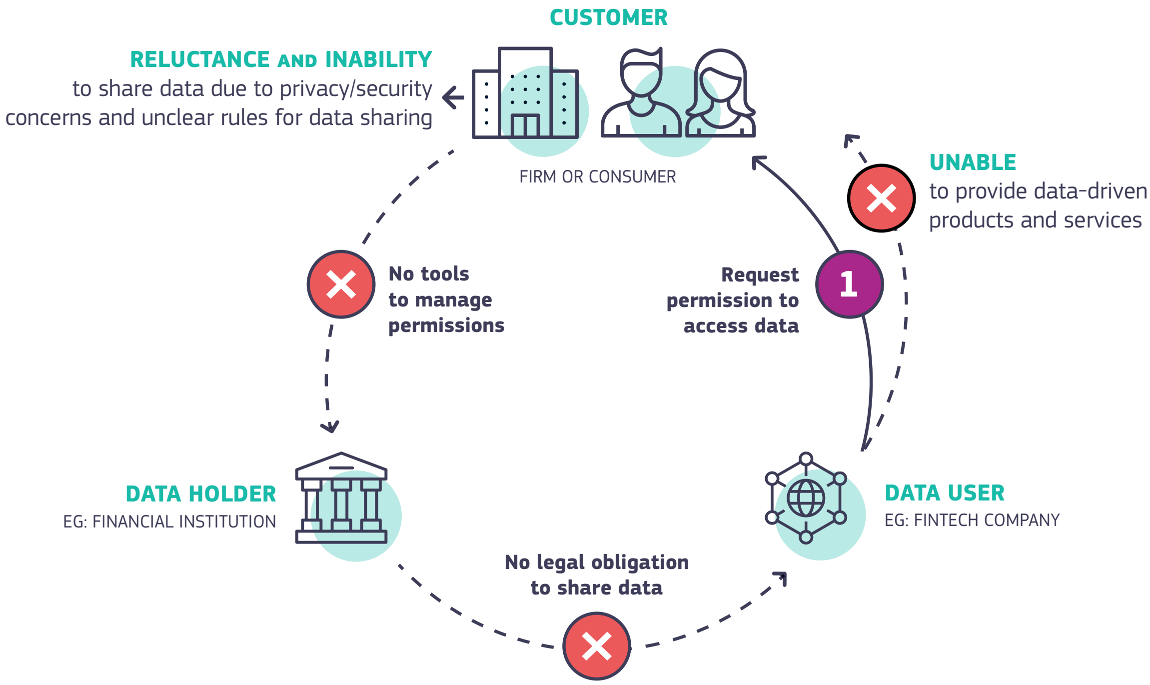
- **Improvements** to the functioning of open banking so that innovative payment services can be offered more efficiently.
- **Fairer competition** between banks and 1000+ non-bank payment services providers, which should drive down prices.
- **Streamlining of rules** for some 270 e-money institutions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

European Commission

FINANCIAL DATA ACCESS FRAMEWORK

June 2023

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



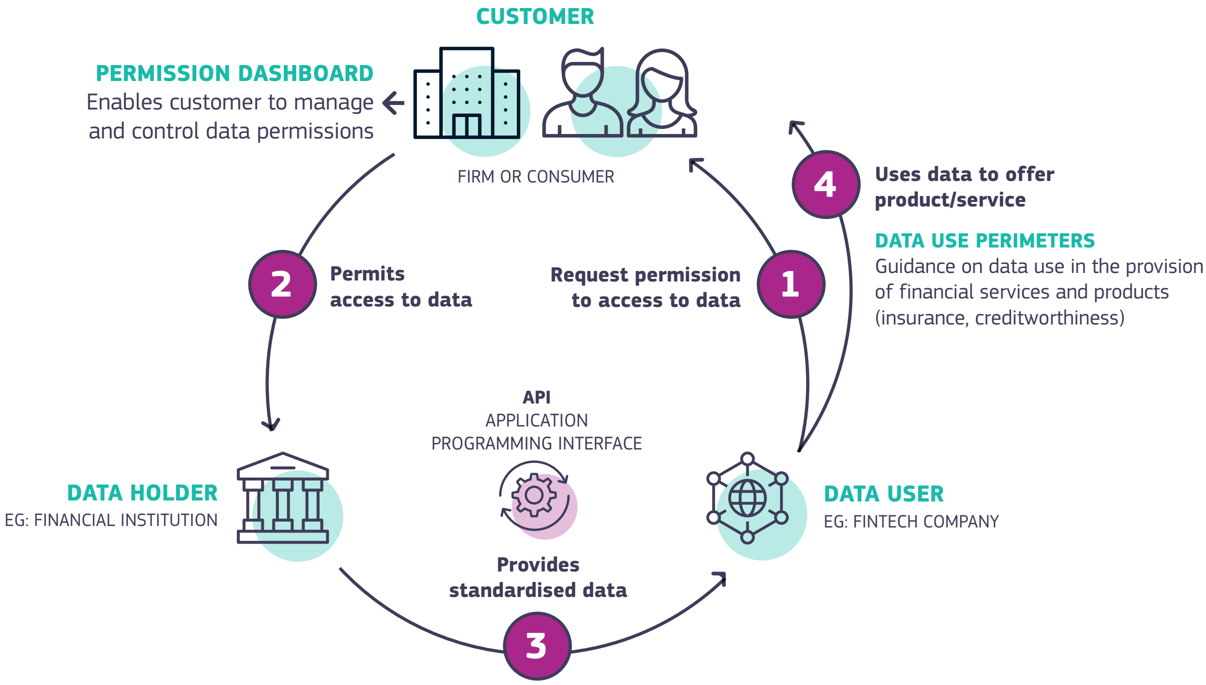
Lack of standardised APIs (Application Programming Interface) and data

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**

OBJECTIVES OF THE PROPOSAL

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



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