

PSD2: What's next?

December 2019



Why the interest?

- 1 Innovation**

The advent of digital technology removed the entry barriers for new players to innovate and disrupt traditional payment service providers.

- 2 Regulation**

Local jurisdictions have embraced and adopted the objectives and requirements into local regulation. For example, in the UK, the Payment Services Regulations 2017 (PSRs 2017) apply to relevant UK regulated firms (payment institutions, payment initiators, account aggregation services.). It covers intra-EEA payments in EEA and non-EEA currencies and payments to and from non-EEA countries in any currency, provided that at least one of the PSPs is located in the EU.

- 3 Public interest**

PSD2 requires payment account providers (mostly banks) to give access to trusted third parties to tap into a customer's financial information, and even initiate payments.

- 4 Real-time strong customer authentication and transaction monitoring**

Since PSD2 is expected to facilitate instant payments, there is a requirement to ensure payments are securely authorised and monitored for fraud to prevent suspicious transactions.



PSD2 entered into force in the EU in January 2018. Impacting any organisation facilitating payments, PSD2 requires a range of controls to be embedded into governance over business processing as well as the supporting technology, to enhance the management and protection of payment transactions. Its primary objective is to create a single and integrated market for payment services, by standardising the rules for banks and the new payment service providers (PSPs). Ultimately, PSD2 will simplify payments throughout the EEA.



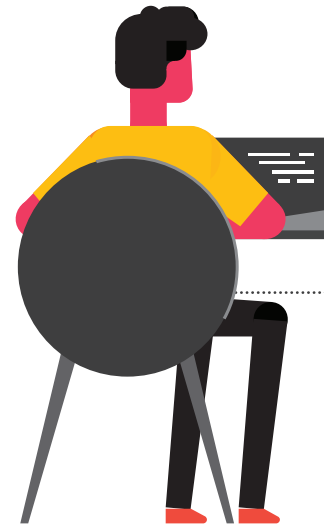
Delivering a workable technical solution

Two years since PSD2 entering into force, what's left to do?

Strong Customer Authentication (SCA)



1 SCA introduces additional security identification for eligible transactions to prevent payment-related fraud losses. It is the only component of PSD2/PSRs that has not been uniformly enforced due to different degrees of readiness among firms and technical issues in the delivery. We reflected on what the SCA period of enhanced supervision means in this **At a Glance**.

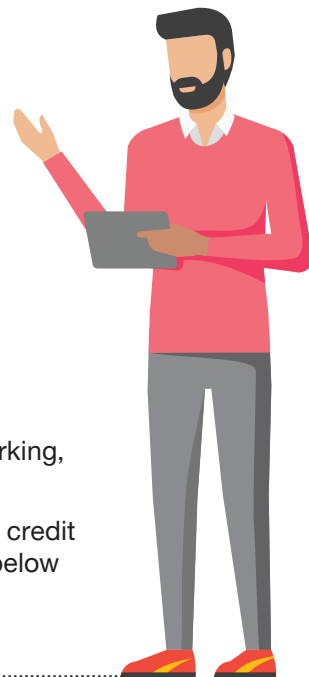


2 SCA introduces standards relating to:

- Mandatory audit requirements.
- Requirement for robust multiple authentication methods to ensure secure access to online payment accounts and initiation of electronic payments.
- Implementation of transaction monitoring mechanisms by payment service providers to detect unauthorised or fraudulent payment transactions.

3 SCA allows firms to benefit from certain exemptions, which relate to:

- access to payment account information,
- contactless payments at points of sale,
- unattended terminal for transport and parking,
- trusted beneficiaries,
- recurring transactions e.g. subscriptions, credit transfers to self, low-value transactions below £30, B2B corporate payments,
- transaction risk analysis.

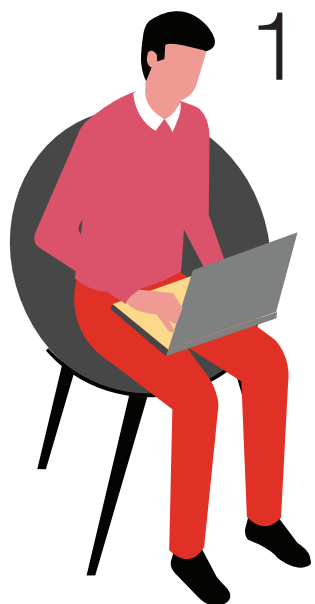


4 Certain transactions are out of scope of SCA:

- payee or merchant initiated transactions,
- one leg out (where issuer/acquirer is located outside of the EEA),
- mail or telephone orders, and anonymous transactions.



Open Banking



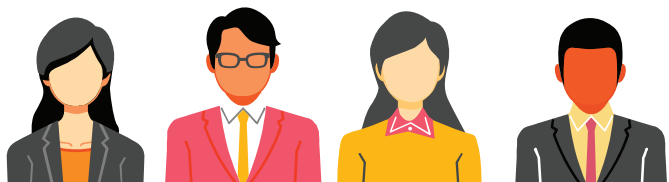
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Open Banking aims to open up consumers' banking data to licensed third-party providers to encourage innovation.



3

It applies to all regulated payment institutions that offer payment accounts who are required to provide a compliant Application Programme Interface (API) from 14 June 2020.



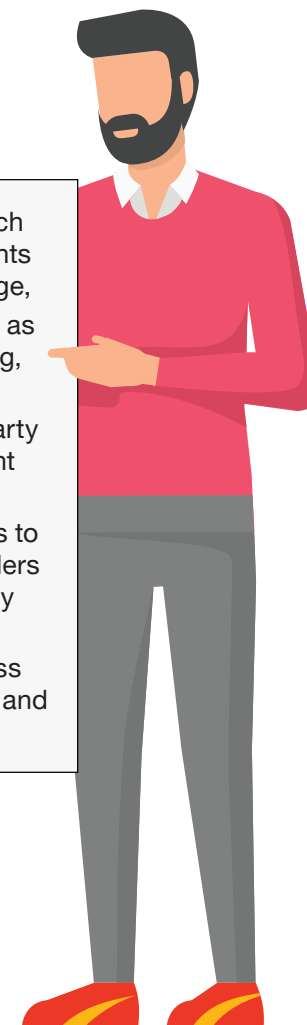
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The intention is to allow consumers and businesses to have more control over their finances, compare deals and find new products/services.

4

The Open Banking standards include:

- API specifications such as technical documents and examples of usage,
- security profiles such as third party onboarding,
- customer experience guidelines for third party providers and account providers,
- operational guidelines to assist account providers to fulfil their regulatory obligations,
- requirements for stress testing, maintenance and general availability.



5

More guidance to implement the standards can be found [here](#).

Developing a roadmap to compliance

2015, December

The PSD2 is published in the Official Journal of the European Union (EU)

2018, January

PSD2 legislation becomes applicable to your organisation

2020, December

EBA sets deadline for your organisation to become compliant with Regulatory Technical Standards

2021, March

Your *organisation is required to implement and be fully compliant with Strong Customer Authentication requirements

*(UK only)

2018, February

The final draft of the Regulatory Technical Standard (including SCA) is published

2018, July

Deadline for your organisation to apply and become registered for PSD2 compliance

Note: Other jurisdictions have decided to extend the SCA enforcement date: Italy and Austria until 31/12/2020, Denmark and France until 14/3/2021. Other jurisdictions have communicated a delay, but without indicating the end date yet.

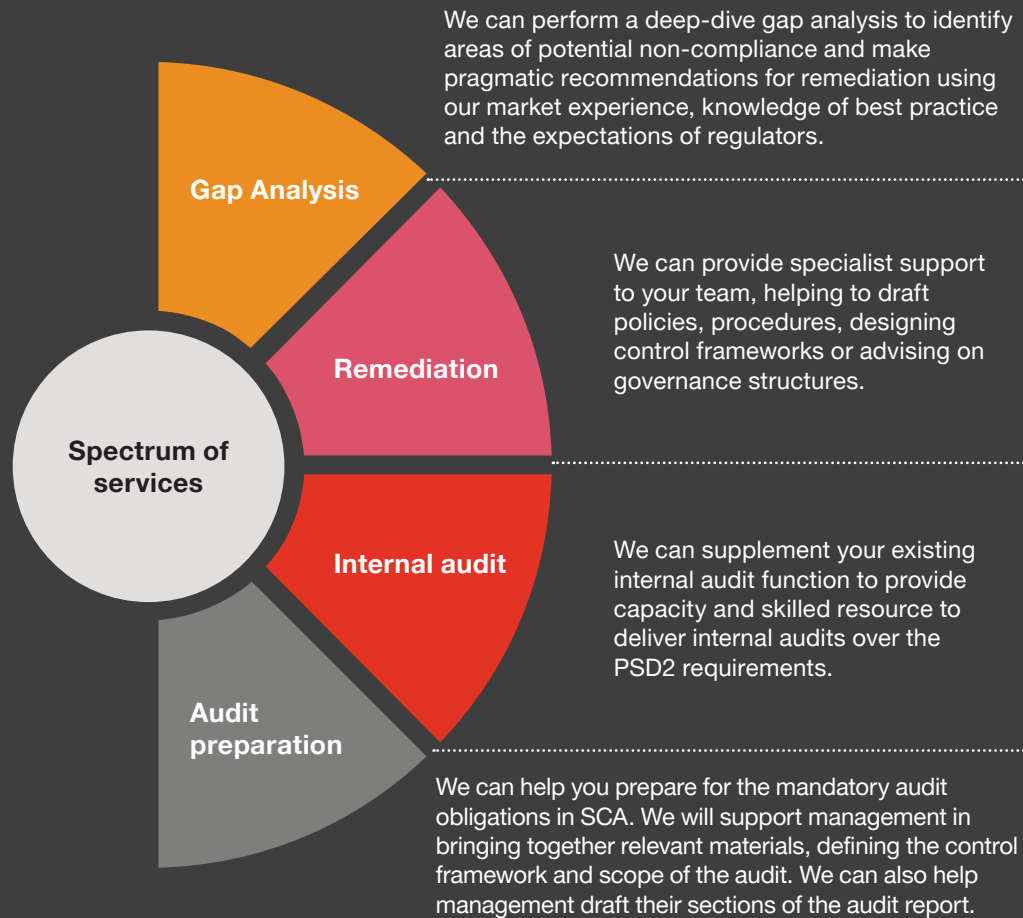
Is your organisation where it should be?

How we help

Advisory services

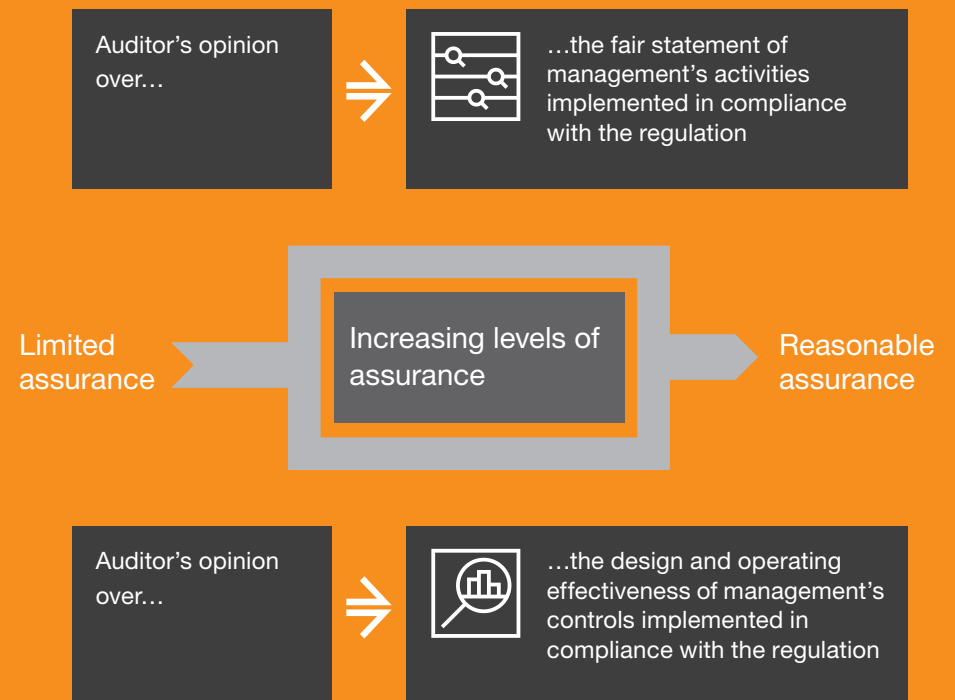
Organisations have found themselves behind due to:

- Competing regulatory priorities;
- Lack of capacity of existing staff; and
- Lack of in-depth specialist financial crime knowledge technical experience.



Audit services

We can deliver the independent audits called for within Article 3 of the SCA-RTS. Depending on the SCA exemptions leveraged by management we will discuss with you the most appropriate form the audit and auditor's opinion should take.



Note: To ensure we maintain compliance with our ethical and professional obligations in relation to independence and conflicts of interest, we will not provide advisory services to our financial audit clients. For non-audit clients we can provide advisory services or audit services over a subject matter area, but not both.

Who to contact



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We are well equipped to support you:

- We have a deep understanding of the payments sector having already supported many organisations on their compliance journeys.
- We have extensive experience of implementing frameworks and auditing compliance in respect of similar regulations.
- We have experience working across 1st, 2nd and 3rd lines of defence and can therefore support in multiple capacities and at multiple stages in your journey, in addition to full external audit services.