

THE REVISED PAYMENT SERVICES DIRECTIVE (PSD2): AN OVERVIEW

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The revised Payment Services Directive: an overview

What is the revised Payment Services Directive (PSD2)?

- The revised Payment Services Directive (PSD2) aims to extend the rules around payment services put in place by the first EU Payment Services Directive.

Why was PSD2 introduced?

- The Payment Services Directive (PSD) was introduced in 2007 with the aim of harmonising payment services across Europe.
- After the Directive was transposed, a review found that some of the provisions had been implemented differently across Member States.
- At the same time, new service providers entered the payments market. These new players in the market were unregulated.
- Therefore, the European Commission published the revised Payment Services Directive (PSD2) in 2015 with the aim of ensuring harmonisation across Europe and regulating new players in the payments market.

What does this mean for industry?

- PSD2 aims to open the EU payment market for companies offering consumer or business-oriented payment services based on access to payment accounts.
- PSD2 will ensure a level playing field for both existing and new players.
- In doing so, PSD2 will also encourage innovation.
- New and innovative players, such as Account Information Service Providers (AISPs) and Payment Initiation Service Providers (PISPs), can soon compete for digital payment services alongside banks and other traditional providers.

AISP = Account
Information Service
Provider

PISP = Payment
Initiation Service
Provider

What does this mean for the consumer?

- PSD2 will be positive for consumers as they will benefit from the regulation of new products and services such as account information aggregation and easier and more secure payment initiation.
- Consumers will also have the right to be provided with information that properly informs them about the extent of the access that any third party will have to their accounts.
- They will be provided with fee information showing the cost of payments.





- PSD2 will mean that, except for fraud or gross negligence, consumers face reduced liability in cases where an unauthorised transaction has occurred. The maximum amount they will be liable to pay is €50.
- It also puts into legislation a refund right for direct debits.
- It introduces strict security requirements for the initiation and processing of electronic payments and the protection of consumers' financial data and provides for the establishment of standards for strong consumer authentication and secure communication.

What is new to PSD2?

Changes to scope under PSD2:



- “One-leg” transactions
 - While PSD1 only applies to intra-EU payments, PSD2 extends a number of obligations in respect of payments to and from third countries where one of the payment service providers is located in the European Union.
- Non-euro currencies for payments within the EU
 - The extension in scope of PSD2 will also mean that the same rules will apply to payments that are made in a currency that is not denominated in euro or another Member State's currency.

Changes to exclusions under PSD2:

- Commercial agent exclusion: PSD2 limits the exclusion to an agent acting solely for either the payer or the payee, not both.



- Cash withdrawal services exclusion: Independent ATM operators will be required to inform users of their charges when using these ATMs.
- Electronic communications exclusion: This exclusion is being narrowed to limit excluded payment transactions to the purchase of digital content and voice-based services, electronic tickets and charitable donations and to set monetary limits on them.
- Limited network exclusion: This exclusion is being narrowed to specific payment instruments that can be used in a limited network (such as in a chain of shops) or only to acquire a very limited range of goods or services (such as a fuel card).

Who are the newly regulated bodies?

- Third party providers of card-based payment instruments are to have access to feedback information (yes/no) on the availability of funds on accounts held by other financial institutions.



- Account Information Service Providers allow consumers and businesses to have a global view on their financial situation e.g. by enabling consumers to consolidate the different payment accounts they may have with one or more credit institutions (banks).
- Payment Initiation Service Providers can be used by consumers to make online credit transfers and inform the merchant immediately of the payment initiation.

What happens next?

- PSD2 must be transposed in all Member States by 13 January 2018.

The role of the European Banking Authority (EBA)

The EBA has 11 mandates under PSD2. These include 5 set of Guidelines and 6 Regulatory Technical Standards.

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