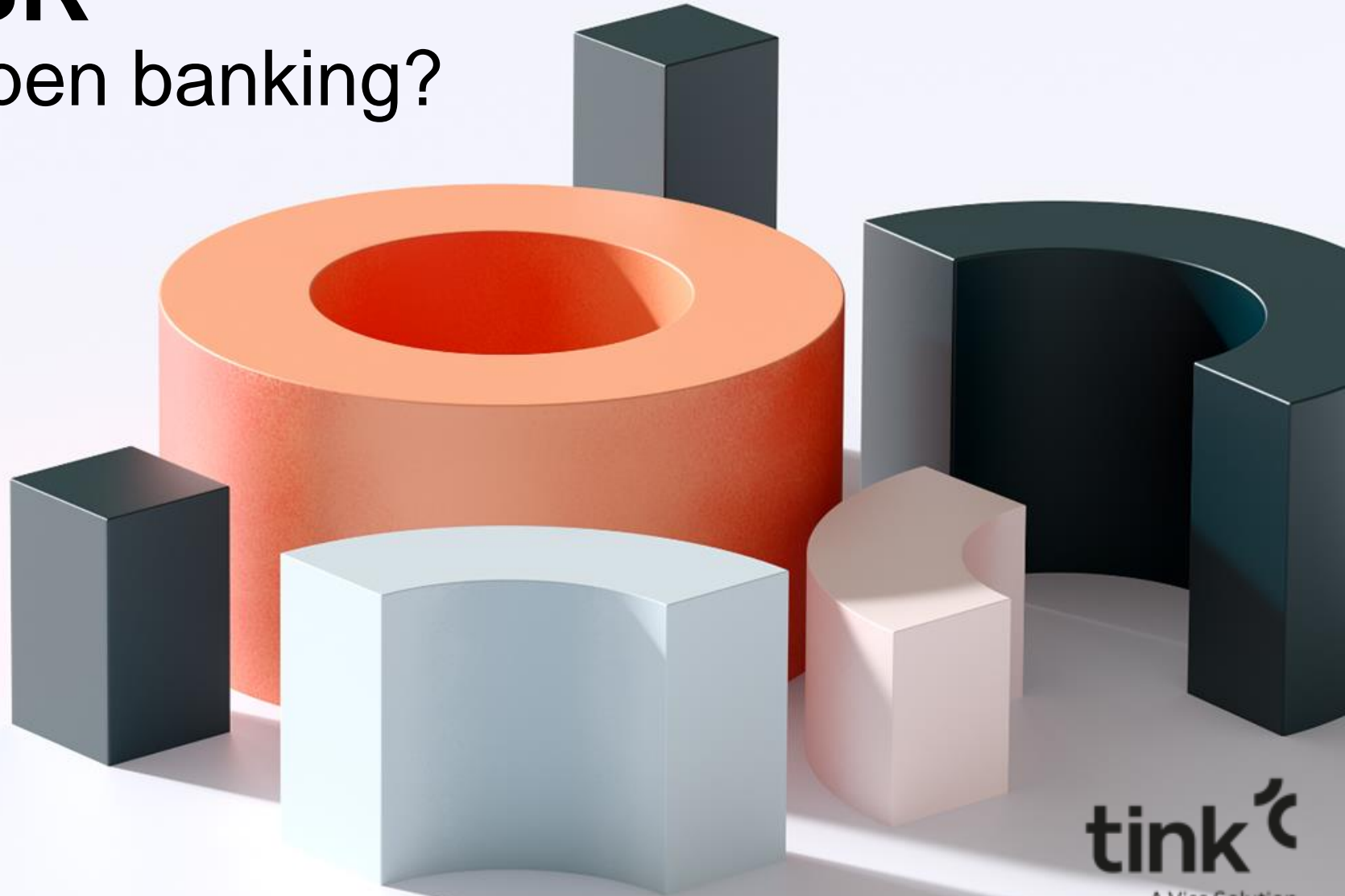


EU's PSD3-PSR

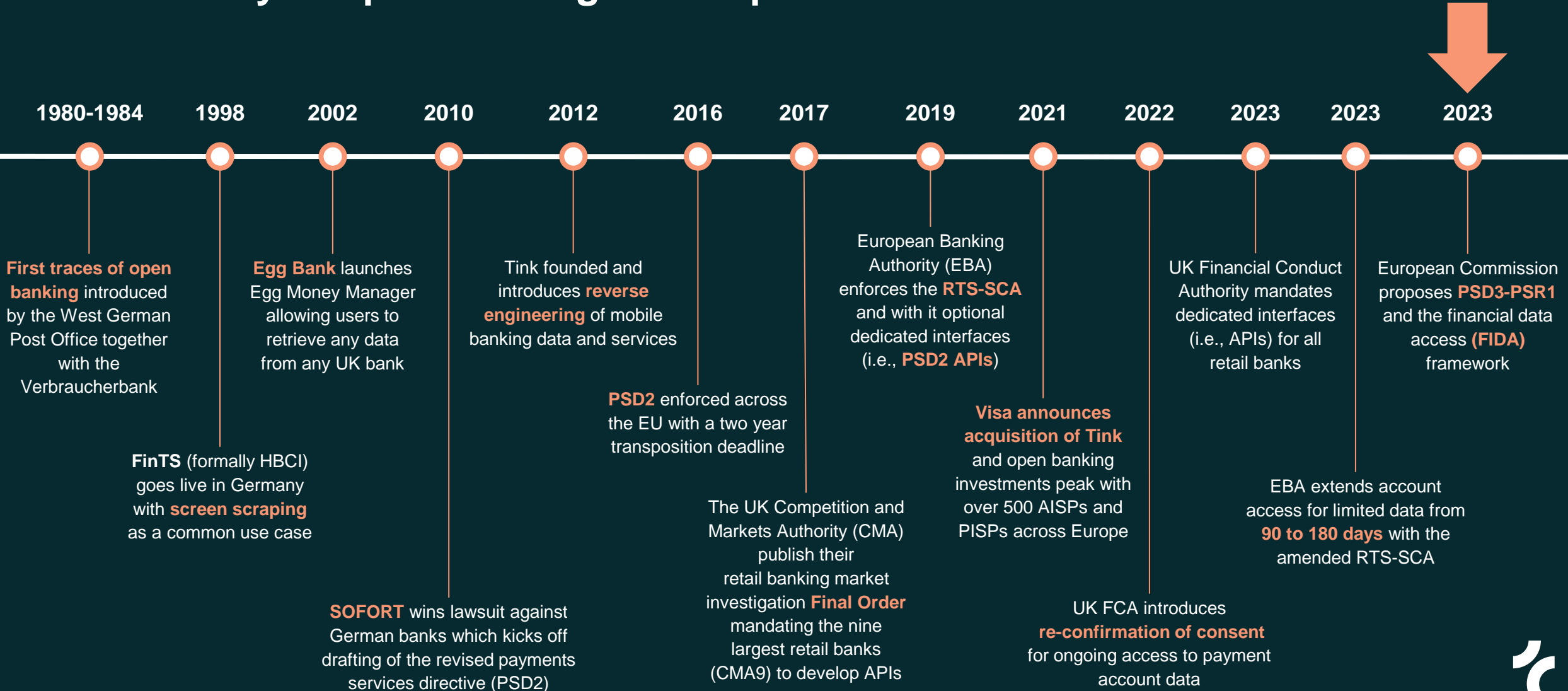
How will it impact open banking?



PSE Merchant Acquiring Conference 2023
Glaziers Hall, London

5 December 2023

A brief history of open banking in Europe



Concepts of PSD2

Strong customer authentication (SCA)

Two or more factors of security

**Knowledge**

Something only the user knows
(e.g. PIN, password)

**Possession**

Something only the user possesses
(e.g. a card with chip, a mobile phone)

**Inheritance**

Something only the user is
(e.g. biometric identification)

Where the payer...

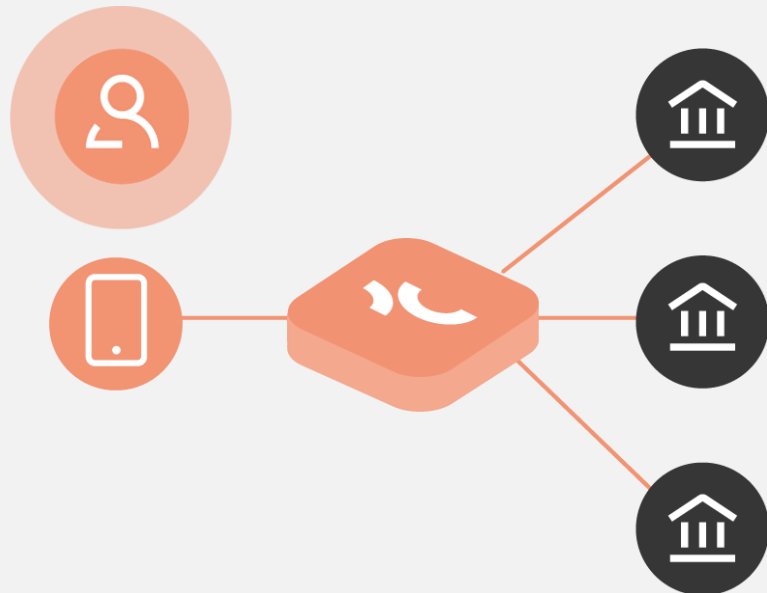
- 1 Accesses its payment account online
- 2 Initiates an electronic payment transaction
- 3 Carries out an action via a remote channel



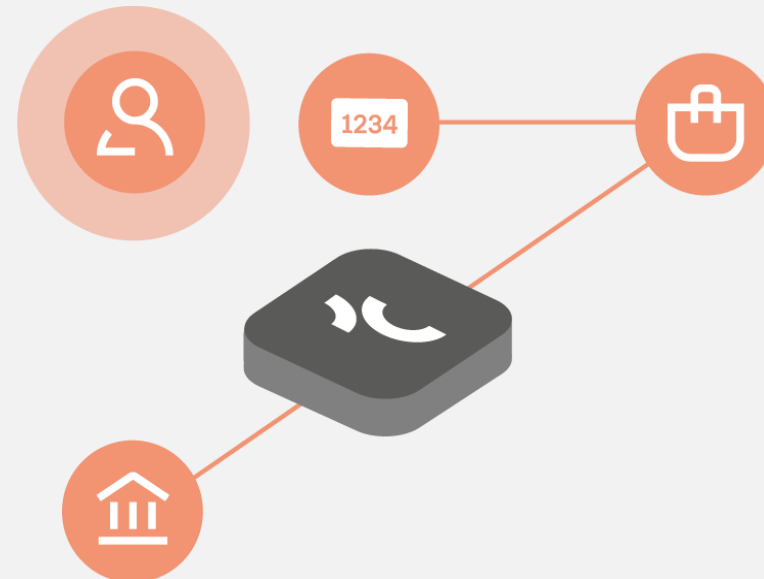
Concepts of PSD2

Regulating open banking third-party providers (TPPs)

Account Information Service Provider (AISP)



Payment Initiation Service Provider (PISP)



Divergence in open banking regulations



UK's Payment Services Regulations of 2017, FCA Handbook (amended), and CMA Order



EU's Payment Services Directive (PSD2) and amended RTS for SCA & CSC

Dedicated interfaces

(i.e. application programming interfaces [APIs])

Mandatory for all ASPSPs

Optional for all ASPSPs

Payment initiation functionalities

(e.g. single immediate payment, standing order, bulk)

Defined by the CMA Order and FCA

Defined by the customer interface

Sweeping

(i.e. automated me-to-me transfers)

Mandatory for nine largest banks

Not-in-scope

Access to account information

(e.g. Balance, transactional history, IBAN)

90 days with optional SCA exemption

180 days with mandatory SCA exemption

Procedure for 'renewing' account information access

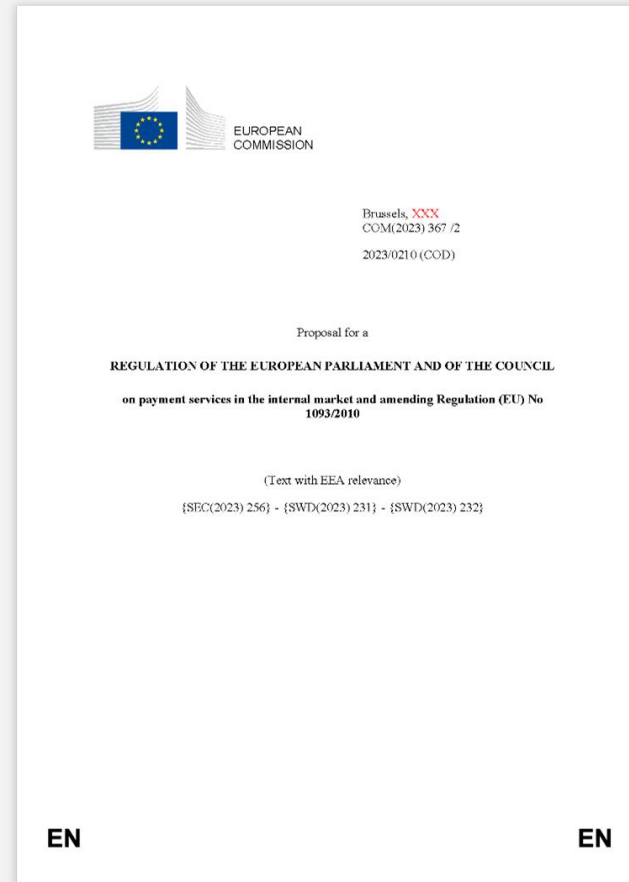
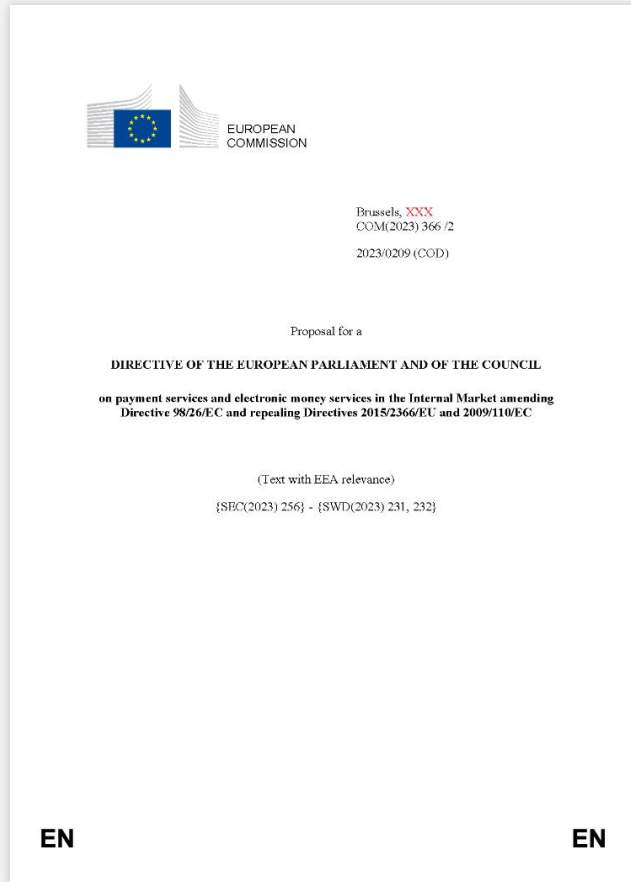
AISP to re-confirm consent with user inside fintech app

ASPSP to re-authenticate the user via SCA mechanism

PSD3: The third payment services directive

PSR: The first payment services regulation

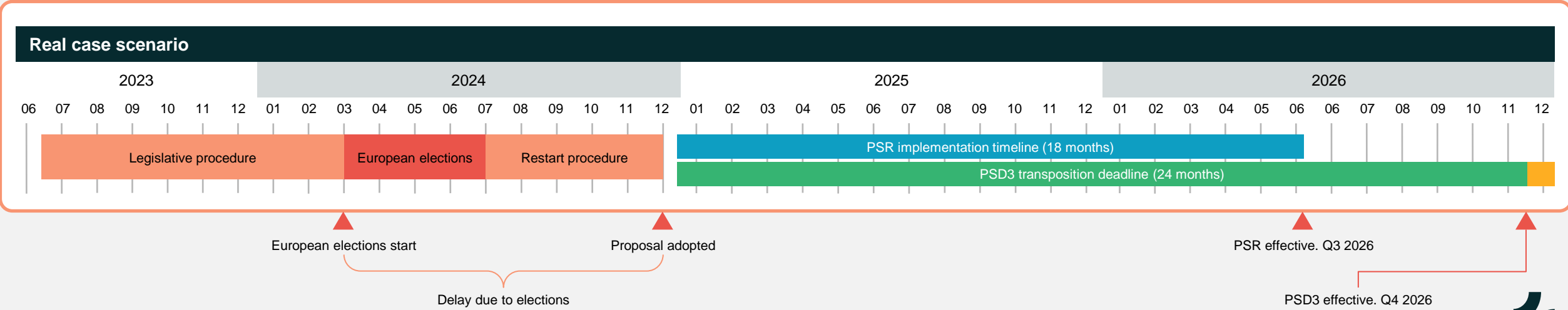
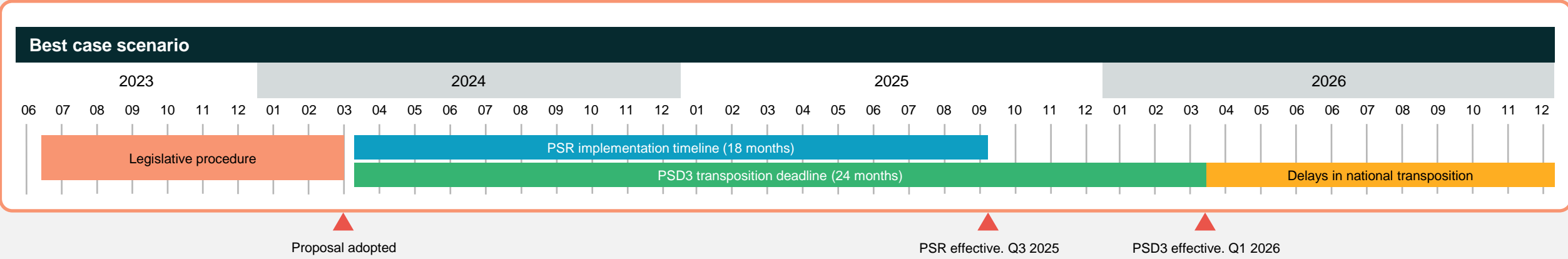
RTS on ACTMM: Requirements for SCA, fraud, and APIs



Draft RTS expected 12 months after PSR enforcement.



Timeline: Proposals will take two years or more to take effect



Note: The FIDA proposal will likely follow the PSR by several months.



PSD3

**it's an evolution...
not a revolution...**



PSR

more ambitions!
more legal instruments!



In a nutshell

- 01 Uniform enforcement across member states
- 02 Expanded payer protection principles
- 03 Extended SCA rules
- 04 Clear rules for open banking
- 05 Heavier fines on infringements



Six takeaways for open banking

1



Dedicated interfaces

ASPSPs are mandated to provide dedicated interfaces (i.e. regulated APIs), unless an exemption is granted by the authorities

2



Dashboards

ASPSPs must provide permission dashboards where users can monitor, withdraw and review data access by TPPs

3



Parity principle

Parity with customer interface as main principle for dedicated interfaces from an SCA, functional and performance POV

4



Obstacles and sanctions

In addition to instruction on how to impose sanctions, the PSR provides 12 obstacles that must be removed from APIs

5



Contingency measures

No fallback interface, but TPPs may take contingency measures for non-performing dedicated interfaces

6



SCA by AISP

AISP enforces SCA to renew access after 180 days of access expires, but the ASPSP enforces the first time



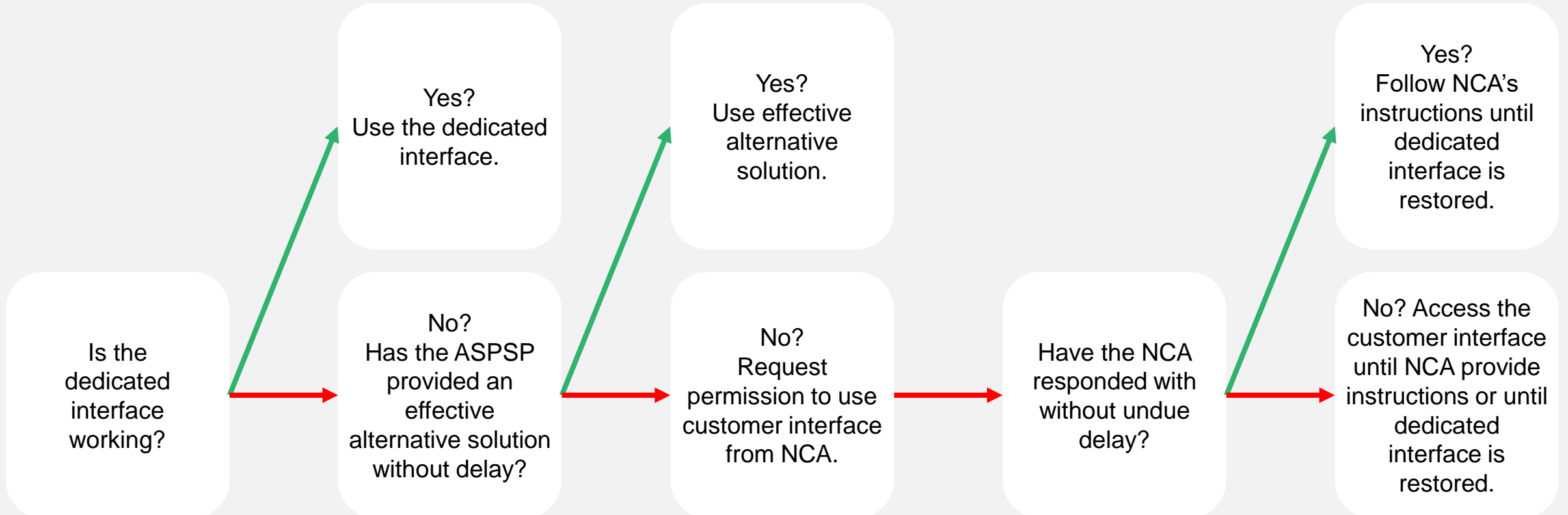
Proposed obstacles in the dedicated interface

ASPSPs may not...

- 01 Prevent TPPs from using the PSU's credentials (e.g. username & password)
- 02 Require PSUs to manually input their unique identifier (e.g. IBAN) after being redirected
- 03 Check consent or permissions
- 04 Requiring additional registrations by TPPs to connect to the API
- 05 Require that TPPs pre-register their contact details for the permissions dashboard
- 06 Restrict PSUs to only initiate payments to a beneficiaries list
- 07 Restrict payments to or from domestic unique identifiers (e.g. IBAN) only
- 08 Require SCA more times when using TPP services than in the customer interface
- 09 Provide an API that does not support all SCA procedures available in the customer interface
- 10 Impose a 'redirection' or 'decoupled' approach where this creates unnecessary friction or adds additional steps to the journey
- 11 Impose 'redirection' to ASPSP's authentication as the sole method for SCA
- 12 Requiring two SCAs in a PIS-only journey, also when performing confirmation of funds, unless there is an objective reason to do so



Proposed contingency measures



Four more takeaways worth mentioning

7



Fraud reimbursement

ASPSP fraud reimbursements not limited to unauthorised transactions, but will also include APP scams

8



Confirmation of Payee

ASPSPs responsible to perform Name-IBAN matching, aka confirmation of payee (CoP), for manual credit transfers

9



SCA elements

SCA to permit two of the same factors and behavioral analytics as element of inherence

10



No more EMIs

E-Money Directive (EMD2) falls into the scope of the PSD text and treats e-money as one of the PSD services



Turnover-based fines

Administrative sanctions

Up to 10% of consolidated net turnover (or up to € 5M for natural persons)

+ at least 2x the profits gained illegally

Daily penalties

Up to 3% of same turnover (or up to € 10k for natural persons)

Until compliance, for max. 6 month (for each decision)

For the most important provisions

- Enforcement of SCA
- Refunding unauthorised transactions
- Reimbursing victims of fraud
- Providing secure access to account
- Provision of account to PI by a credit institution
- Info client on ATM withdrawals (charges, interest rates and FX rates)



FIDA

**Financial data access
beyond payments...**



Access methods and account types today...



Regulated access interface

(e.g., PSD2 API)

PSD2 regulated data

Corporate and personal payment account information as defined under PSD2

Non-regulated data

Corporate and personal connected to the payment account, typically:

Credit card & Savings accounts



Non-regulated access interface

(e.g. web-API)

Premium APIs

Corporate data of any type in various formats to feed into treasury, accounting, payroll, systems, typically:

Customer interface

Accounts not defined as Payment Accounts under PSD2, typically:

| | | | | |
|---------------------|-----------------|--------------------------|---------|----------|
| <u>Loans</u> | Mortgages | <u>Investment</u> | Stocks | Options |
| | Unsecured loans | <u>accounts</u> | Funds | Warrants |
| | Interest rates | | Pension | etc. |



Scope of FIDA

All other financial data

Categories of Data holders & Data users

1. Credit institutions
2. Payment institutions (incl ASPSPs under PSD3)
3. Electronic money institutions
4. Investment firms (incl UCITS firms)
5. Crypto-asset service providers
6. Issuers of asset-referenced tokens
7. Managers of alternative investment funds
8. Insurance firms and intermediaries
9. Credit rating agencies
10. Crowdfunding service providers
11. Financial information service providers

Customer data categories

1. The balance, conditions and transactions of a mortgage, credit and savings account.
2. Savings, investments in financial instruments, insurance-based investment products, crypto-assets, real estate and other related financial assets and similar.
3. The provision of non-life insurance products.
4. Input data which form part of an application by a firm for a creditworthiness assessment.
5. Pension rights in occupational pension schemes.
6. Pension rights on the provision of European personal pension products.



FIDA: What will it include?

Financial data access permission dashboards

Data holders will be required to provide customers with common and consistent financial data access permission dashboards.



Schemes for data and technical interfaces

Financial data sharing scheme shall include the common standards for the data and the technical interfaces to allow customers to request data sharing



Determining compensation

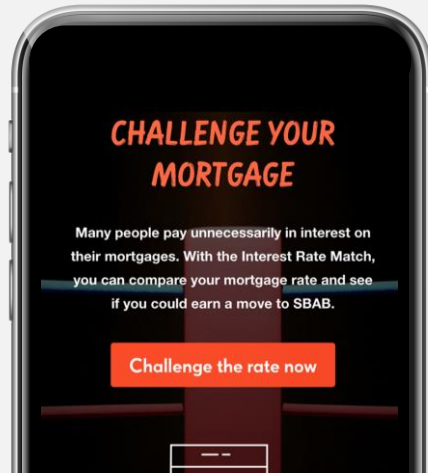
Financial data sharing scheme shall include the common standards for the data and the technical interfaces to allow customers to request data sharing



SEPA Payment Account Access (SPAA) Scheme



Open finance is the future of banking



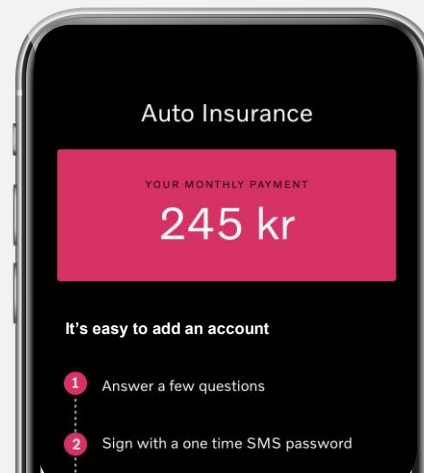
Acquisition

Bespoke financial offerings

Enhanced credit scoring

Fraud prevention

Trusted identity federation



Activation

Tailored insurances

Automated taxi fillings

Investment brokerage

Automated wealth management



Retention

Coaching (sustainability + financial)

Personalized real-time offers

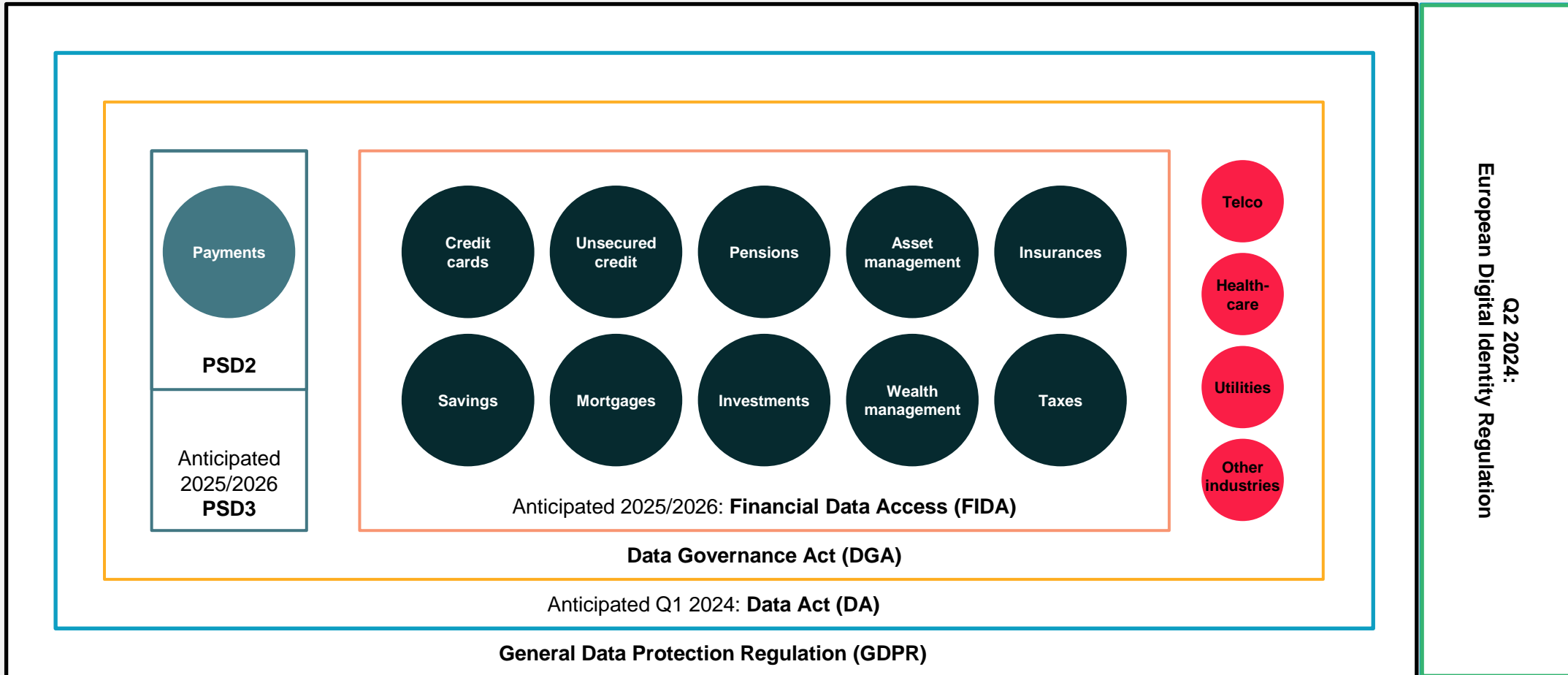
Next-Gen PFM Marketplace

Life goal advisory

Data complexity



EU's journey towards an open data ecosystem



Thank you



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