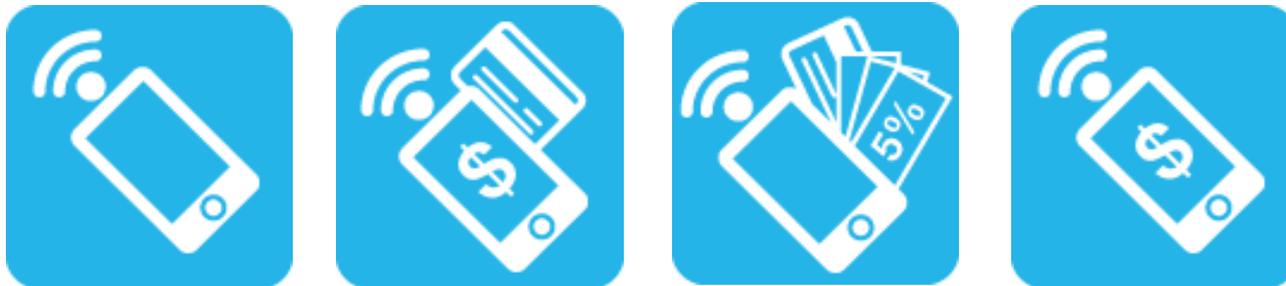


The Human Chain

Payment Services Directive 2



who we are and our customers

UK based business
 and **technology** consultancy

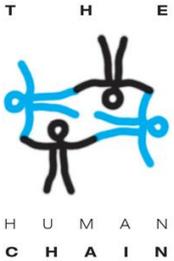
specialists in **developing**
 new propositions from
concept to launch

leadership in
 use of **digital, mobile,**
 e&m-commerce, contactless,
identity and authentication

digital service realisation
 test & learn, POC, pilot & demo
digital services toolkit

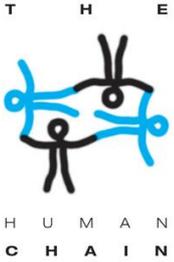


Payments Services Directive 2



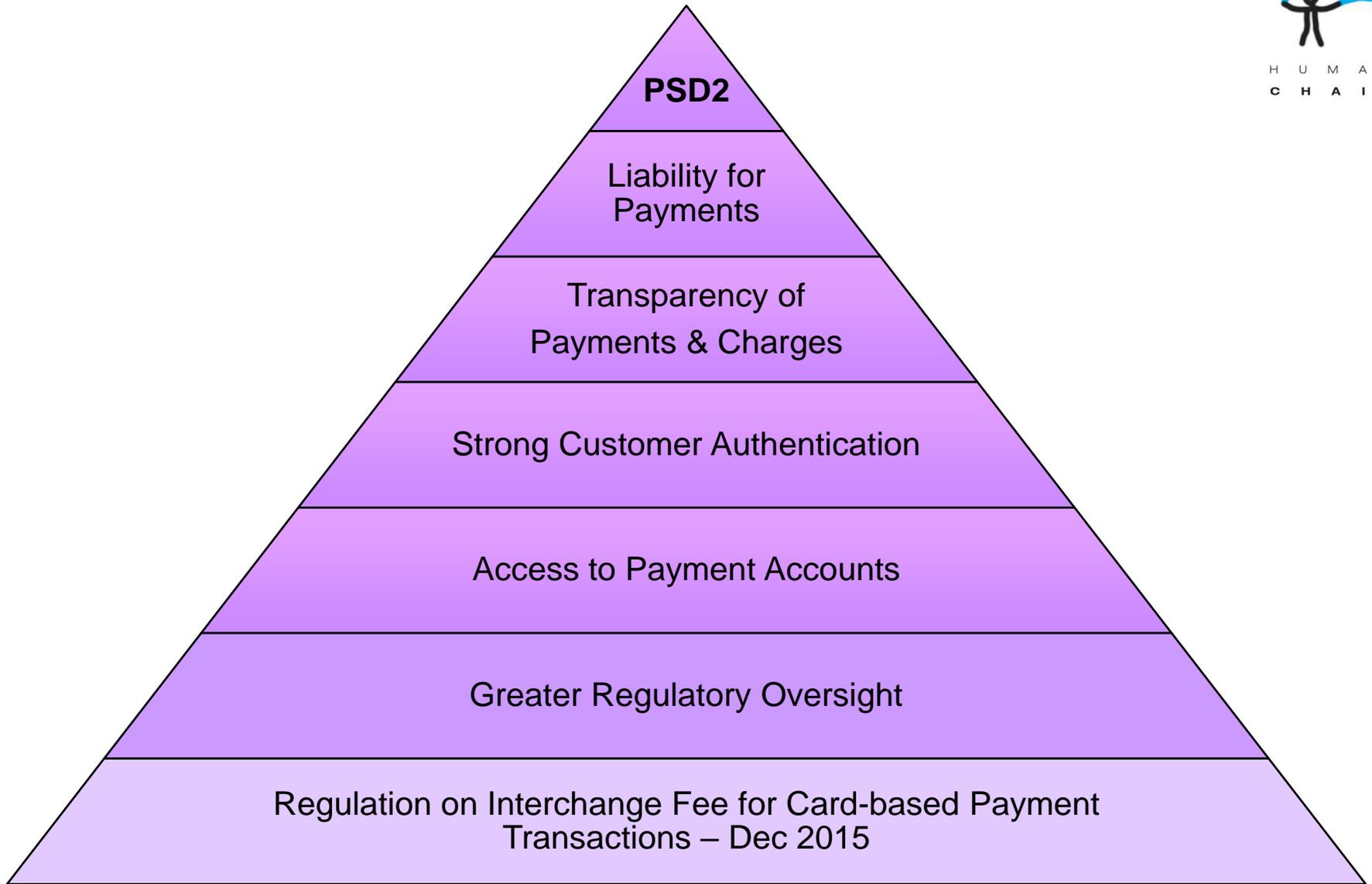
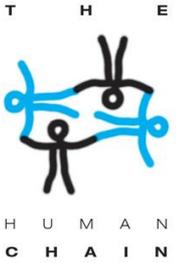
- Original Payment Service Directive 2007/64/EC adopted December 2007
- Since its adoption:
 - The retail payments market has experienced significant technical innovation
 - Rapid growth in the number of electronic and mobile payments
 - Emergence of new types of payment services in the market place
- Market developments have given rise to significant challenges from a regulatory perspective
 - Significant areas of the payments market (e.g. internet/mobile payments) remain fragmented along national borders
 - Many innovative payment products or services do not fall within the scope of Directive
 - Elements excluded from original scope, such as certain payment-related activities, has proved in some cases to be too ambiguous, too general or simply outdated
 - Resulted in legal uncertainty, potential security risks in the payment chain and a lack of consumer protection in certain areas
 - Proven difficult for payment service providers to launch innovative, safe and easy-to-use digital payment services
- The European Parliament believes there is a large positive potential which needs to be more consistently explored

PSD2 - Aims & Objectives

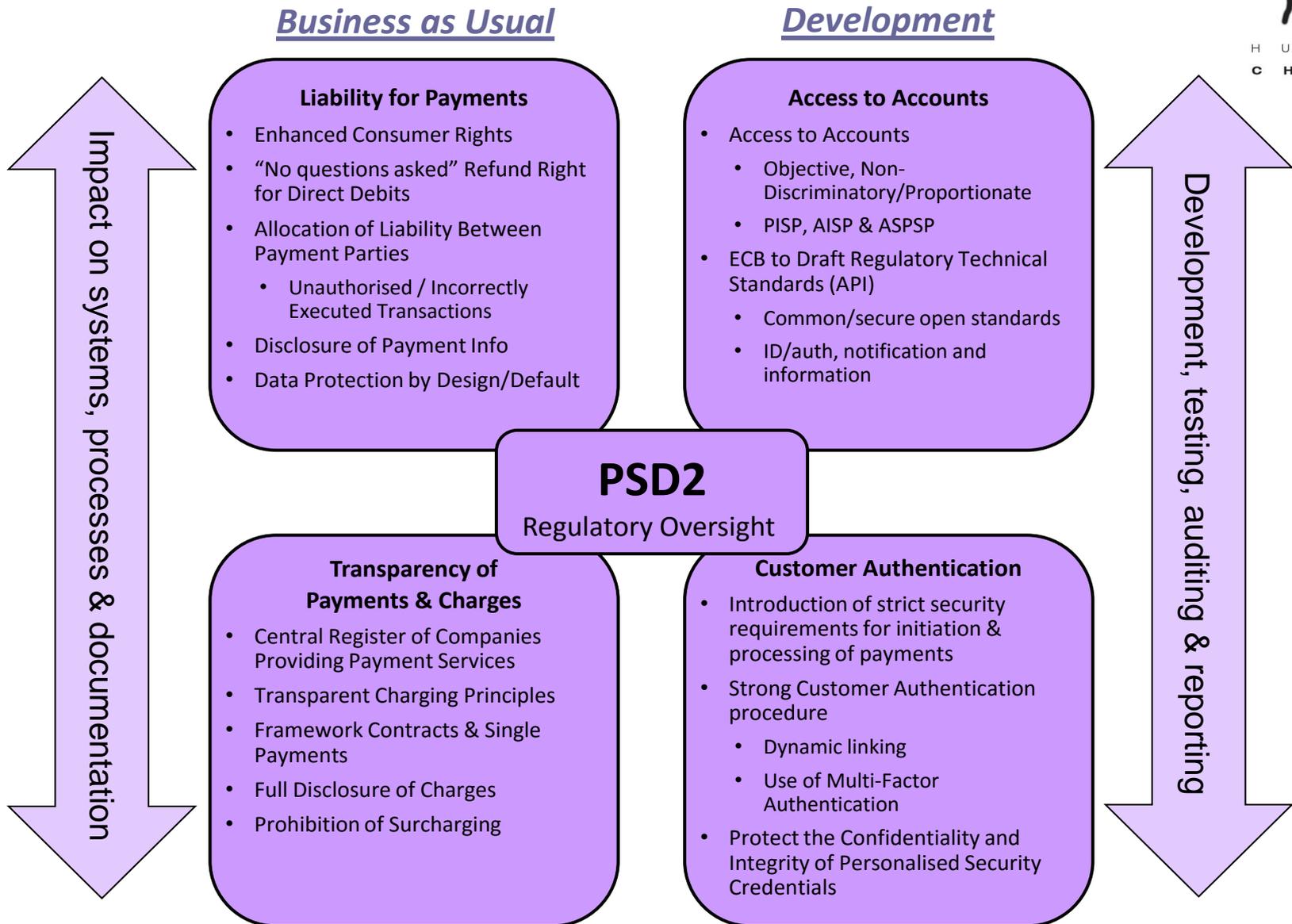


- Continue to harmonise the European payments landscape from a regulatory perspective
- To establish safer and more innovative payment services across the EU
- Contribute to a more integrated and efficient European payments market
- Improve the level playing field for payment service providers (including new players)
- Make payments safer and more secure
- Protect consumers
- Encourage lower prices for payments

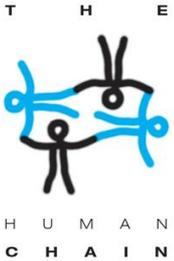
PSD2 - Overview



PSD2 – Impacts & Implications

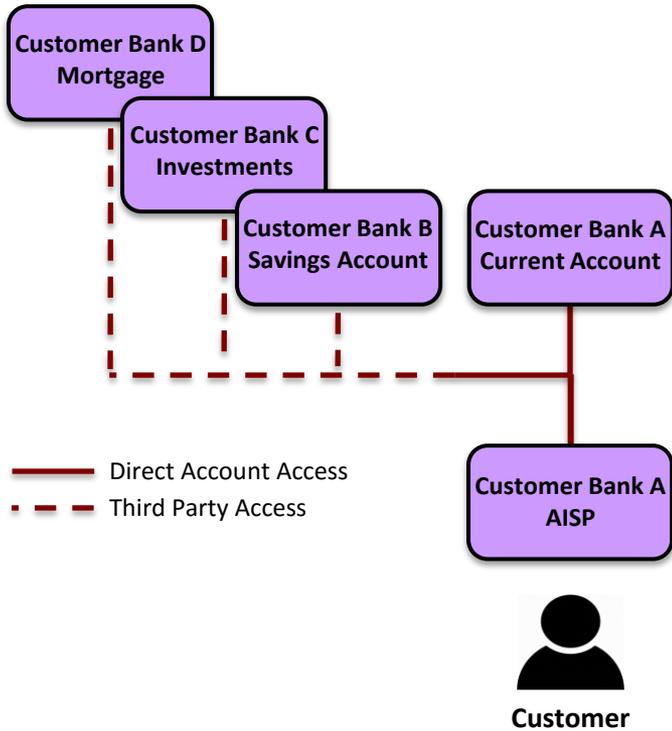
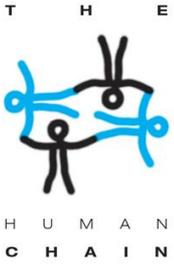


PSD2 – Access to Accounts



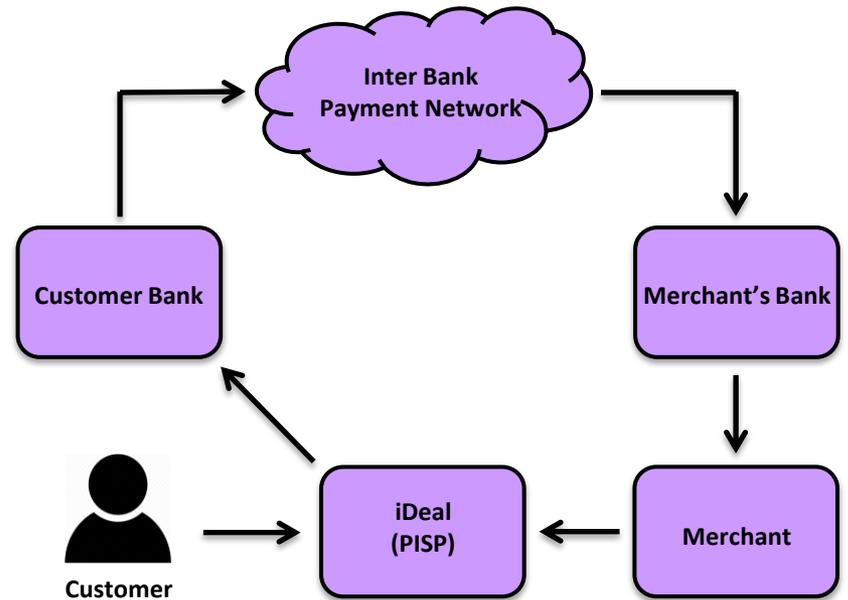
- Access to Accounts will drive disruption (innovation) in payments
 - An accelerator for technology driven disruption of incumbent banks by flexible and innovative service providers
 - Open the market to new entrants (Challengers, FinTech's etc.)
 - Drive new business opportunities (existing & new market entrants and a combination thereof)
 - Drive new business models and services
- What is Access to Accounts
 - It is an environment in which participants can share customer data, when explicit consent has been granted, with each other in a secure, automated fashion
- EBA Discussion Paper (pre consultation & RTS)
 - “The requirements for common and secure open standards of communication for the purpose of identification, authentication, notification, and information, as well as for the implementation of security measures, between account servicing payment service providers (ASPSP), PIS providers, AIS providers, payers, payees and other payment service providers”
- This all needs to be overlaid by HM Treasury published a “Call for evidence on data sharing and open data in banking”

PSD2 - Potential Opportunities

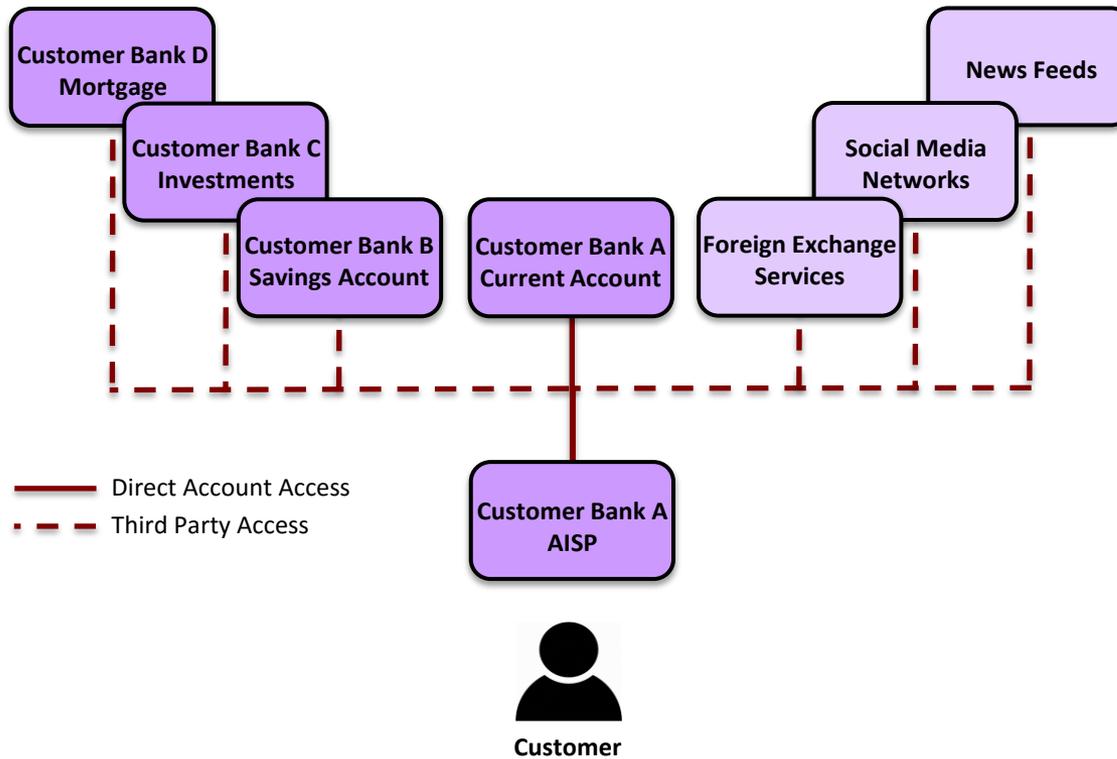


Data Aggregation Model

Payment Initiation Service Provider

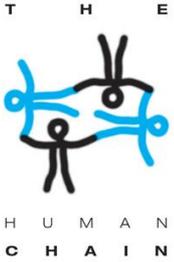


PSD2 - Potential Opportunities



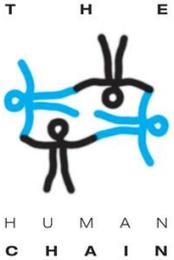
Delivering Financial Services & Relevant Content

PSD2 – Strong Customer Authentication



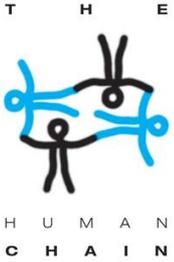
- EBA Discussion Paper (pre consultation & RTS) – Strong Customer Authentication
- Article 97(1) & (3) strong customer authentication applies to:
 - Access to payment accounts online
 - Initiation of any electronic payment transaction
 - Any action through a remote channel that may imply a risk of payment fraud or other abuses, including online or mobile payments
- Article 97(2) provides that, with regard to the initiation of electronic remote payment transactions, PSPs shall apply strong customer authentication, which includes elements that dynamically link the transaction to a specific amount and a specific payee
- Article 4(29) ‘authentication’ means a procedure which allows the payment service provider to verify the identity of a payment service user or the validity of the use of a specific payment instrument, including the use of the user’s personalised security credentials
- PSD2 defines authentication as any procedure which allows the PSPs to verify the identity of a PSU or the validity of the use of a specific payment instrument, including the use of the user’s personalised security credentials (PSC)

PSD2 – Strong Customer Authentication



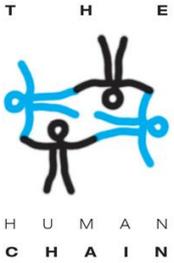
- Article 4(30) provides that strong customer authentication means:
 - Knowledge (something only the user knows)
 - Possession (something only the user possesses)
 - Inherence (something the user is)
 - That are independent, in that the breach of one does not compromise the reliability of the others, and is designed in such a way as to protect the confidentiality of the authentication data
- Article 98.3 specifies that exemptions for strong customer authentication shall be based on the following criteria:
 - Level of risk involved in the service provided
 - Amount and/or the recurrence of the transaction
 - Payment channel used for the execution of the transaction
- Things are not yet clear and many issues to be worked through before clarification and understanding of Strong Customer Authentication

PSD2 - Timescales



- PSD2 has been published in the OJEU and entered into force on 12 January 2016
- Member States must transpose PSD2 into national law by 13 January 2018
- However, as directed by the European Commission, the EBA has 12 months to define the Regulatory Technical Standards (RTS):
 - Secure Authentication
 - Secure Communications (Access to Accounts)
 - Other RTS to be published
- The RTS will apply 18 months after adoption of the standards by the Commission (i.e. no earlier than October 2018)

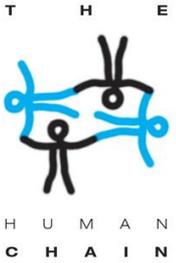
PSD2 - Summary



- PSD2 published in the OJEU and entered into force on 12 January 2016
 - Transposition into National Law January 2018
 - RTS transposition October 2018 onwards
- Programme of work to achieve compliance:
 - Systems, processes and documentation
 - Development, testing, auditing and reporting
- Access to Accounts
 - Need to take into consideration HMT Open Banking initiative
- Regulation driving innovation
 - Open the market to new entrants (Challengers, FinTech's etc.)
 - Drive new business opportunities (existing & new market entrants and a combination thereof)
 - Drive new business models and services

White Paper published on PSD2 and Open Banking: www.thehumanchain.com

Contact



Brendan Jones

The Human Chain Limited
Magdalen Centre
The Oxford Science Park
Oxford
OX4 4GA
United Kingdom

Mob: +44 7785 388 867
Tel: +44 1865 784 386
Fax: +44 1865 784 387

E-mail: brendan.jones@thehumanchain.com
Web: www.thehumanchain.com
www.digitalservicestoolkit.com

