
Market environment and implementation timeline

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PSD2 in a nutshell

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Why do we need a new Payment Services Directive (PSD2)?

By **13 January 2018**, Member States will have to implement Directive 2015/2366/EU in their national regulations known as PSD2¹

On the one hand the need stems from the necessity to regulate a **market** characterised by **increased complexity** in terms of player and digital evolution, on the other hand from the need to **harmonise a fragmented European regulatory framework** resulting from the implementation differences among Member States.

PSD2 is just the latest of a series of interventions made by the European parliament in the area of payment services: the aim is to continue the development of an integrated single market by standardising the rules of Payment Services Providers (PSP) and the new market players (today unregulated), helping to strengthen the security of the system and ensuring a highlevel of competition and transparency towards consumers.

PSD: 2010 – 2015 open points

- **Inconsistent application** of PSD and of other European regulations in the various Member States
- Several **generic exemptions** in the Directive
- Many **operators and unregulated intermediaries**
- **Lack of standardisation** and interoperability of payment solutions and security systems
- Application of **different fees** across EU Members



PSD2: 2016 – 2018 the answers

- Strengthen **consumer protections**
- Develop **new payment solutions**
- Regulate new market players
- **Uniform fees** on card payments in line with regulation on Multilateral Interchange Fees (MIF)
- **Increase** the level of **competition**
- **Overcome differences** between the disciplines of the EU Members
- General **increase in efficiency** through the standardisation of infrastructures

¹ Published in the official journal of the European Union on December 23rd, 2015 on payment services in the internal market, Directive 2007/64/repealing previous EC (PSD)

The context in which PSD2 enters into force (1/2)

How the payments market is moving? Which are the trends forecasted?

The continuous transformation of the **payments market** can be traced back to progressive **technological and IT evolution**, the opening up towards international markets as well as to the diffusion of new services and market players.

The number of **non-cash transactions** worldwide in 2014 saw an **increase of 9%** compared to 2013 (# of transactions 338.8bn worth USD 883.4bn)².

The growth of **digitisation** does not seem to be stopping and for **2018** it is forecasted that the number of digital transactions will **reach +19%** compared to 2014.

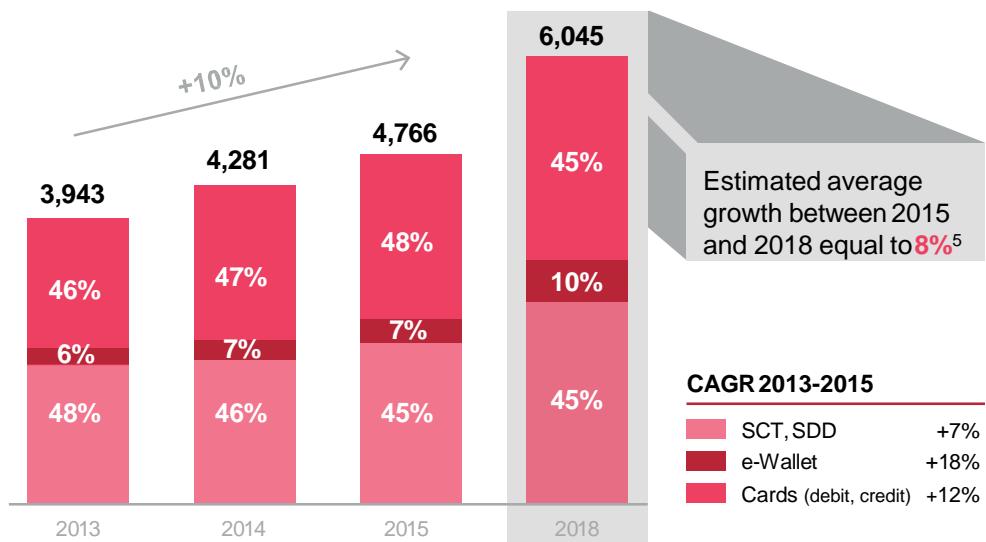
In the Czech Republic, there is a clear trend showing an increase in payment card transactions, which have tripled from 2010 to 2015 and the number of online transactions have increased approximately 9 times during the same period³.

The increasing digitisation was favoured mainly by three areas:

1. a **greater propensity of users**, from all population groups, in the **use of technological devices** (tablet, smartphone or other smart devices);

2. a **change in consumer habits**, who find these paying methods to be more efficient and to provide an improved customer experience;
3. an evolution of the market offer by players that adopt **marketing strategies** aimed at increasing the use of electronic tools and collecting information on customer behaviour.

Payments market, number of transactions per payment instrument (in millions)⁴



² PwC elaboration of data "Committee on Payments and Market Infrastructures", Bank for International Settlements, 2014

³ Source: http://www.bankovnikarty.cz/pages/czech/profil_statistiky.html

⁴ PwC elaboration of data "Committee on Payments and Market Infrastructures", Bank for International Settlements, 2014

⁵ Estimate based on PwC market analysis for each individual product

The context in which PSD2 enters into force (2/2)

How the payments market is moving? What are the forecasted trends?

Furthermore, the entry of new players is increasing the level of competition; the over-the-top players (Google, Amazon, Apple, ...) and new TTP - third party providers (Sofort, Trustly, ...) are modifying the traditional context of the banking services, creating new business models for banks to deal with.

In Europe, mainly in Germany and the UK, new competitors are gaining market share (in Germany, for example, Sofort has become a leader in e-commerce payments with over 2 million transactions per month and 35,000 merchants in less than 10 years) and creating the **risk for banks and other traditional operators of disintermediation** in the relation with their **clients**.

The challenge for Czech regulators will be to **guarantee** the fundamental values for consumers such as the **safety** and **transparency** of the conditions along with **growth** and **innovation**.

In this context, the new PSD2 directive **encourages the use of innovative digital tools** and, at the same time, of **regulating services and payment practices** already in force (such as apps which aggregate the balances of several bank accounts or send money via social networks).

PSDs takes part in supporting the change



Positive scope



Third Party



Responsabilities



Safety



Costs & Surcharge



Negative scope

PSD2 roadmap (1/2)

Which are the main deadlines to be monitored?

The implementation of PSD2 is scheduled for 13 January 2018. Before that deadline there are many other deadlines to be monitored and documents to be delivered to the European Authorities. To clarify the technical and regulatory aspects of PSD2, the EBA in cooperation with the ECB will issue a comprehensive documentary set of 6 Regulatory Technical Standards and 5 Guidelines by 2018.

The document with the greatest impact will be the one on "Strong Customer Authentication and Secure Communication (SCA)" which will direct the customer authentication requirements and common communication standards. The final version will be released in January 2017; the first draft was released on 12 August 2016.

Regulatory technical standards (RTS) and Guidelines						
	Document	Overview	01/2017	07/2017	01/2018	
RTS	Strong customer authentication	Strong authentication requirements and common safety standards				
	Passporting notifications	Cooperation and exchange of information among competent authorities				
	Passporting compliance	Cooperation methodology among member States to supervise payment institutions				
	Central ContactPoints	Criteria to determine the central contact points and their functions				
	EBA Register	Structure of the information to notify and input into the central electronic register				
	EBA Registertechnical requirements	Technical requirements to develop and manage the electronic register				
	Incidentreporting	Criteria to evaluate the relevance of accidents and their notification				
	Securitymeasures	Security measre and certification procedures				
	PI Insurance for PSPs	Minimum monetary amoung insured				
	Complaintsprocedures	Complaints procedure				
Guideline	PI Authorisation	Information to provide to the competent authorities for the authorisation of Payment institutions				

PSD2 roadmap (2/2)

Next year, other relevant standards containing technical details are expected to be published, including the “Passporting rules” and the “EBA Register”, whose objective is to define the rules for cooperation and **for information exchange among** the authorities of the Member States and the technical requirements for the development and management of the **central electronic register**.

Some aspects are still to be clarified in the course of the adjustment to PSD2; however, it is already possible to detect significant impacts in the legal & compliance department and technology and business processes for all PSP categories.

However, together with the impacts, it is possible to take advantage of the opportunities that PSD2 has brought related to the potential development of new operators in the payment market such as AISP (Accounts Information Services Provider) and PISP (Payments Setting Services Provider) and additional services for customers: Apps for monitoring bank accounts or debit cards decoupled from payment accounts are an example. The first forecasts about potential incremental revenues from new comfort products and services emphasize the need for payments market operators to rapidly proceed in the development of innovative solutions to differentiate themselves from competitors.

In the coming months, banks, payment institutes and other operators will have to understand the impacts of PSD2, the opportunities to exploit and how to address them in a prompt and effective manner. They will also have to **develop a comprehensive strategy on the payments business**.

PwC View: Main Impact



Legal & Compliance

- Review of the contract conditions
- Changes to the reimbursement process for the payer
- Update of internal rules due to new standards



Technology

- Implementation of interfaces to access the registered and authorised TPPs
- New implementations for SCA, dynamic link and E-Identity systems



Processes

- Process review for the TPPs to access accounts
- Adjustment to the minimum requirements released (e.g. Transparency, SCA)
- Mitigation and operating risk



Economics

- Limits to surcharges according to the MIF
- Potential impacts on value date
- Fees arising from the offer of new payment services

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Looking forward to our future collaboration

