Payment Services Directive (PSD)  
An overview

Bank of Albania
PSD Objectives

To complete and modernize the internal market of payment services by:

Â Removing the legal barriers to market entry of new players and to increase the competition;
Â Promoting the innovation of payments;
Â Harmonizing terms and conditions for the provision of payment services across the EU for payments;
Â Providing a new category of payment service providers called Payment Institutions (PIs) including Third Party Service Providers and the concept of payment account;
Â Enhancing consumer protection and setting minimum service levels;
Â Providing the necessary legal platform for SEPA;
Â Encouraging lower prices for payments.
Structure of PSD document

- Subject matter, scope and definitions (Title I)
- Payment Service Providers Licencing and Supervision (Title II)
- Transparency of conditions and information requirements (Title III)
- Rights and obligations for PSP in relation to provision and use of payment services (Title IV)
- Implementing measures and Payment Committee (Title V)
- Final provisions (Title VI)
Six categories of PSPs:

3. Payment institutions ➔ NEW PSD (so called ‘PSD2’) includes in this category also Third Party Service Providers.
4. Post office giro institutions.
5. The ECB and NCBs (when not acting as monetary authorities).
6. Member states or regional or local authorities (when not acting as public authorities).

Establish a new single licence for the provision of payment services
List of payment services offered by a PI

1. Services enabling cash to be placed on a payment account;
2. Services enabling cash withdrawals from a payment account;
3. Execution of payment transactions (direct debits, payment card, credit transfers) based on a payment account;
4. Execution of payment transactions where the funds are covered by a credit line;
5. Issuing of payment instruments and/or acquiring of payment transactions;
6. Money remittance;
7. Payment initiation service providers (PISPs) and Account information service providers (AISPs) new-PSD2.
Application for license

The application to be submitted to the competent authority shall contain among other things:

- the programme of operations (payment services envisaged)
- a business plan (3 years)
- description of: - safeguarding requirements of payers’ funds
  - governance arrangements
  - organisation and internal control mechanisms
- the identity of persons with qualifying holdings, responsible managers, auditors

PSD creates the possibility to exclude some institutions from licencing requirements based on their activity. Authorities monitor their activity till it becomes important for the market.
INITIAL CAPITAL and OWN FUNDS

At the time of the authorisation PIs shall have an initial capital of:

- not less than Eur 20,000 where PI provide money remittance services.
- not less than Eur 50,000 where PI provide payment initiation services.
- not less than Eur 125,000 for PI providing other payment services.

Member states shall require PIs to hold at all times own funds calculated with one of three methods:

- A: 10% of fixed overhead of the preceding year.
- B: calculation on the basis of the volume of payment transactions executed in the preceding year.
- C: calculation on the basis of a relevant indicator (sum of interest income, interest expenses, fees received and other income).
Safeguarding requirements

The Member States or competent authorities shall require to safeguard the funds received from the payers as follows:

- No confusion with other funds: if the funds are not transferred to the payee by the end of the business day following the day of the reception, they shall be deposited in a bank account or invested in secure, liquid low-risk asset;
  
  or

- They shall be covered by an insurance policy.
Transparency of conditions and information requirements (Title III)

Distinction between:

Å Single payment transactions - not covered by framework contract, but precontractual information required

Å Framework contract - which governs the execution of individual and successive transactions and which defines the obligation and condition on setting up an account. Precontractual information required.
Rights and obligations for parties in relation to provision and use of payment services (Title IV)

Ensure: EFFICIENCY

- Innovative services
- Execution time and charges

Ensure: RELIABILITY

- Security
- Integrity

USERS PROTECTION

- Complaints
- Out of court redress
- Penalties
Situation in Albania

The money transferring and payment services is foreseen as a financial activity in the Albanian legal and regulatory framework, but there is no clear definition and these activities are not in line with PSD 2 definitions.

- No payment account concept in the Albanian legislation.
- No payment institution concept in the Albanian legislation.
- No clear definition of payment services performed by the institutions.
- No concept of ancillary services and hybrid institutions.
- There is an explicit right for the oversight of payment instruments but not for payment services.
- There is not an out of court redress procedure.
- Transparency requirements very limited.
Implementation of PSD 2 in Albania.

The implementation of PSD 2 is a must as far as the integration process in SEPA environment is concerned - Requirement for Chapter 4 “Free movement of capital” compliance.

Important for:
Â The promotion of electronic payment instruments in Albania;
Â To increase competition among different players in the market;
Â To reduce costs of payment services
Â To reduce of cash use in the economy.

Recommended by the World Bank to enhance financial inclusion in the Albanian environment through payments.

Working group in BoA already working on the PSD 2 transposition in the Albanian legislation assisted by:
Â Banca D’Italia
Â World Bank

First draft law to be completed by the end of 2017.
GUIDELINES FOR THE SECURITY OF INTERNET PAYMENTS – An Overview (EBA, December 2014)
SecuRe Pay recommendations and EBA guidelines

The recommendations are drafted by the European Forum on the Security of Retail Payments (SecuRe Pay), a voluntary cooperative initiative set up by the ECB and comprising relevant authorities from the European Economic Area (EEA).

The "Guidelines on the security of internet payments" issued by the European Banking Authority the 19th December 2014, is based on these recommendations.

The current framework shall be reviewed with the PSD2 implementation (artt. 95-98: new EBA RTS on strong customer authentication and secure communication. Guidelines on incident reporting and Guidelines on operational and security risks)
Scope and benefits

These guidelines establish a set of minimum requirements in the field of the security of internet payments. The guidelines build on the rules of Directive 2007/64/EC3 (‘Payment Services Directive’, PSD) concerning information requirements for payment services and obligations of payment services providers (PSPs) in relation to the provision of payment services.

The guidelines apply to the provision of payment services offered through the internet by Payment Service Providers (PSP), irrespective of the access device used (being card or virtual card payments, credit transfer through internet, e-mandate; e-money via internet).

They constitute harmonized, minimum security recommendations in the fight against payment fraud and aim to increase consumer trust in internet payment services.

The core recommendation is that the initiation of internet payments as well as access to sensitive payment data should be protected by strong customer authentication to ensure that it is a rightful user, and not a fraudster, initiating a payment.
EBA recommendations content

- **14 Recommendations**
  - General control and security environment
  - Specific control and security measures for internet payments
  - Costumer awareness, education and communication

- 5 recommendations
- 6 recommendations
- 3 recommendations
Three groups of recommendations

1. General control and security environment The first domain covers five recommendations and it is focused on General controls and security environment. This part is closely related to the security policy, the risk assessment report, change management policy, incident management policy, audit management and other high level procedures.

2. Specific control and security measures for internet payments The second domain covers six recommendations and is related to specific security issues, regarding technology implementations for ensuring an acceptable security payment environment: customer identification and authentication, access control policies, monitoring procedures, etc.

3. Customer education and communication The third domain is related to customer awareness. The three recommendations focus on education and communication practices and on how the entity intends to review the procedures in place with the aim of guaranteeing the customer information and transactions security.
Application in Albania – next steps

Bank of Albania is being assisted by Banca d’Italia (BoI) on the implementation of these recommendations in the Albanian legislation. A detailed presentation on the document and intensive discussions have been performed in this regard by BoI experts.

Next steps:
1. Get assessment and feedback by the banks on the possibility or any obstacles for the implementation of these recommendations. – Done: The general feedback from the banks is positive.
2. BoA, in cooperation with ABA, to draft a set of recommendation and present them to the NPSC.
3. NPSC issue a set of recommendations to be applied by the banking sector in Albania.
Thank you for your attention!