Payment services in the internal market

2023/0210(COD) - 28/06/2023 - Legislative proposal

PURPOSE: to lay down rules on payment services in the internal market.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the second Payment Services Directive (PSD2) provides a legal framework for all retail payments in the EU, both Euro and other currencies, domestic and cross-border. PSD2 has tackled the barriers to access to new types of payment services and improved the level of consumer protection and security. PSD2 contains both rules on the provision of payment services by payment service providers (PSPs) and rules on the authorisation and supervision of a specific category of financial service providers, namely payment institutions.

The review of PSD2 has led the Commission to decide to propose legislative changes to PSD2 in order to improve its functioning. These changes are set out in two proposals, this proposal for a Regulation on payment services in the EU and a proposal for a Directive on payment and e-money services, focusing on the authorisation and supervision of payment institutions (and amending certain other Directives).

The impact assessment accompanying this proposal (as well as the proposal for a Directive on payment and e-money services) found that there are four key problems in the EU payment market, despite the achievements of PSD2: (i) consumers are at risk of fraud and lack confidence in payments; (ii) the open banking sector functions imperfectly; (iii) supervisors in EU Member States have inconsistent powers and obligations; (iv) there is an unlevel playing field between banks and non-bank PSPs.

The proposal will amend and modernise the current Payment Services Regulation (PSR). It will ensure consumers can continue to safely and securely make electronic payments and transactions in the EU, domestically or cross-border, in euro and non-euro.

CONTENT: the proposed Regulation lays down rules applicable to payment services providers related to payments. It lays down uniform requirements on the provision of payment services and electronic money services, as regards:

- the **transparency of conditions and information requirements** for payment services and electronic money services;

- the **respective rights and obligations** of payment and electronic money service users, and of payment and electronic money service providers in relation to the provision of payment services and electronic money services.

It will apply to payment services provided within the Union by the following categories of payment service providers:

- credit institutions, including branches thereof where such branches are located in the Union, whether the head offices of those are located within the Union or outside the Union;

- **post office giro institutions** which are entitled under national law to provide payment services;

- payment institutions;

- the ECB and national central banks when not acting in their capacity as monetary authority or other public authorities;

- Member States or their regional or local authorities when not acting in their capacity as public authorities.

More specifically, it consists of a package of measures which:

- combat and mitigate payment **fraud**, by enabling payment service providers to share fraud-related information between themselves, increasing consumers' awareness, strengthening customer authentication rules, extending refund rights of consumers who fall victim to fraud and making a system for checking alignment of payees' IBAN numbers with their account names mandatory for all credit transfers;

- improve **consumer rights**, in cases for example where their funds are temporarily blocked, improve transparency on their account statements and provide more transparent information on ATM charges;

- further levelling the playing field between **banks and non-banks**, in particular by allowing non-bank payment service providers access to all EU payment systems, with appropriate safeguards, and securing those providers' rights to a bank account;

- improve the functioning of **open banking**, by removing remaining obstacles to providing open banking services and improving customers' control over their payment data, enabling new innovative services to enter the market;

- improve the availability of cash in shops and via ATMs, by allowing retailers to provide **cash services to customers without requiring a purchase** and clarifying the rules for independent ATM operators;

- strengthen harmonisation and enforcement, by enacting most payment rules in a directly applicable regulation and reinforcing provisions on implementation and penalties.