

Payment services and electronic money services in the Internal Market

2023/0209(COD) - 28/06/2023 - Legislative proposal

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

PROPOSED ACT: Directive 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 Directive on payment services and electronic money services, focusing on the authorisation and supervision of payment institutions (and amending certain other Directives) and a [proposal for a Regulation](#) on payment services in the EU.

The impact assessment accompanying this proposal (as well as the proposal for a Regulation on payment services in the internal market) revealed that the EU payments market has four major problems, despite the achievements of the 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 Directive (PSD2) which will become PSD3 and establish, in addition, a 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: this proposed Directive therefore lays down rules concerning:

- access to the activity of providing payment services and electronic money services, within the Union, by payment institutions;
- supervisory powers and tools for the supervision of payment institutions.

The revised Directive aims to **update and clarify the provisions relating to payment institutions** and integrates former electronic money institutions as a sub-category of payment institutions (and consequently repeals the second Electronic Money Directive, 2009/110/EC). Furthermore, it includes provisions concerning cash withdrawal services provided by retailers (without a purchase) or independent ATM deployers and amends the Settlement Finality Directive (Directive 98/26/EC).

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.

Transitional provisions

Transitional measures are appropriate regarding existing activities under PSD2 given the creation of a new legal licensing regime. For example, existing licenses for payment institutions and electronic money institutions are prolonged in validity ("grandfathered") until 30 months after entry into force (one year after the transposition deadline and the beginning of application) on condition that application for a license under this Directive is made at the latest 24 months after entry into force.