European Parliament Passes PSD2 by Landslide (Oct. 8, 2015)

The yeas have it. The European Parliament today has passed the second major payments regulation in 2015, with 578 votes in favor of the Revised Payment Services Directive (PSD2). With only 29 voting against and 52 abstentions, PSD2 had no trouble passing. The payments industry already is focusing on complying with interchange regulations, which passed with similar ease in March and go into effect in December. Now a host of new requirements will shape the competitive landscape in Europe further.

"Today's adoption by the European Parliament of the PSD2 is a step toward a new business environment for payment providers," says Monica Monaco, founder and managing director of TrustEUAffairs, a Brussels-based regulatory affairs consultancy. "A new type of payment provider, the Third Party Payment Providers, are created by the PSD2 and e-commerce consumer authentication will very likely change in nature due to the strong customer authentication requirements in the text," she notes. "A lot will depend, in any case, on the role the European Banking Authority will have in drafting guidelines and regulatory technical standards on the PSD2 main articles. Some of these evolutions may prove to have quite a strong impact on the business case of new products and newcomers to the European payments market."

The European Commission, which first proposed the PSD revisions in July 2013, says the new law "enhances consumer protection, promotes innovation and improves the security of payment services," according to an announcement. "PSD2 is the latest in a series of laws recently adopted by the EU in order to provide for modern, efficient and cheap payment services and to enhance protection for European consumers and businesses.”

Some of the changes PSD2 introduces are:

•Introduction of strict security requirements for the initiation and processing of electronic payments and the protection of consumers’ financial data;

•Opening the EU payments market for companies offering consumer or business-oriented payment services based on the access to information about the payment account—the so called “payment initiation services providers” and “account information services providers;”

•Enhancing consumers’ rights in numerous areas, including reducing the liability for non-authorized payments, introducing an unconditional (“no questions asked”) refund right for direct debits in euro; and

•Prohibition of surcharging (additional charges for the right to pay, e.g., with a card) whether the payment instrument is used in shops or online.

The directive will be adopted formally by the EU Council of Ministers soon and following its publication in the Official Journal of the EU, member states will have two years to introduce the necessary changes in their national laws to comply.

‘‘This will certainly put an end to all of the ambiguity and speculation as to how the legislation will look at a European level,” says Craig James, CEO of U.K.-based compliance specialist Neopay Ltd. “However, while this is a big step forward, it’s important to remember that this is the start of a long process. Although we are looking forward to greater harmonization across Europe, it may be a few years before we see what PSD2 will actually mean in practice within each member state,” James adds. “Until then, I think the industry needs to ensure it does not overreact or over prepare for something that still needs to be interpreted and implemented on a local level.”