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# The next level for payments

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## Agenda

- ✓ Key issues on payments market evolution
- ✓ Central bank role in payments
- ✓ New legal provisions related to payments
  - ✓ MIF Regulation
  - ✓ PSD 2
  - ✓ SEPA end-date Regulation

## Key issues on payments market evolution

Making payments securely&efficient - elements identified as vital for:

1. consumers – rapidly increasing of smart phones popularity and unprecedented growth of e-commerce have changed their payments behaviour
2. payments industry – endeavour to rapidly adapt to the payment services user needs.

This rapid changes might endanger the proper functioning of the European market.

New regulations – focusing

- especially on promoting security & efficiency of payments market
- mitigation risks such as market fragmentation, reduced security, reduced trust

### **New pieces of legislation**

The European Parliament and other authorities adopted regulations with a view to achieve above mentioned objectives of the safety and efficiency in payments market

- Interchange fees regulation
- PSD2
- SEPA end-date regulation

# Central bank role in payments market

## Legal provisions

Art. 127 para. 2 from Treaty on the Functioning of the European Union “*to promote the smooth operation of payment systems*”;

Art. 22 from ESCB and ECB Statute “The ECB and national central banks may provide facilities, and the ECB may make regulations, to ensure efficient and sound clearing and payment systems within the Union and with other countries”).

## Objectives of CB

To ensure the safety and efficiency for payment systems operation by overseeing them (monitoring the existing and planned payment systems, assessing them against standards relevant for the smooth functioning of PS, and inducing changes, if needed).

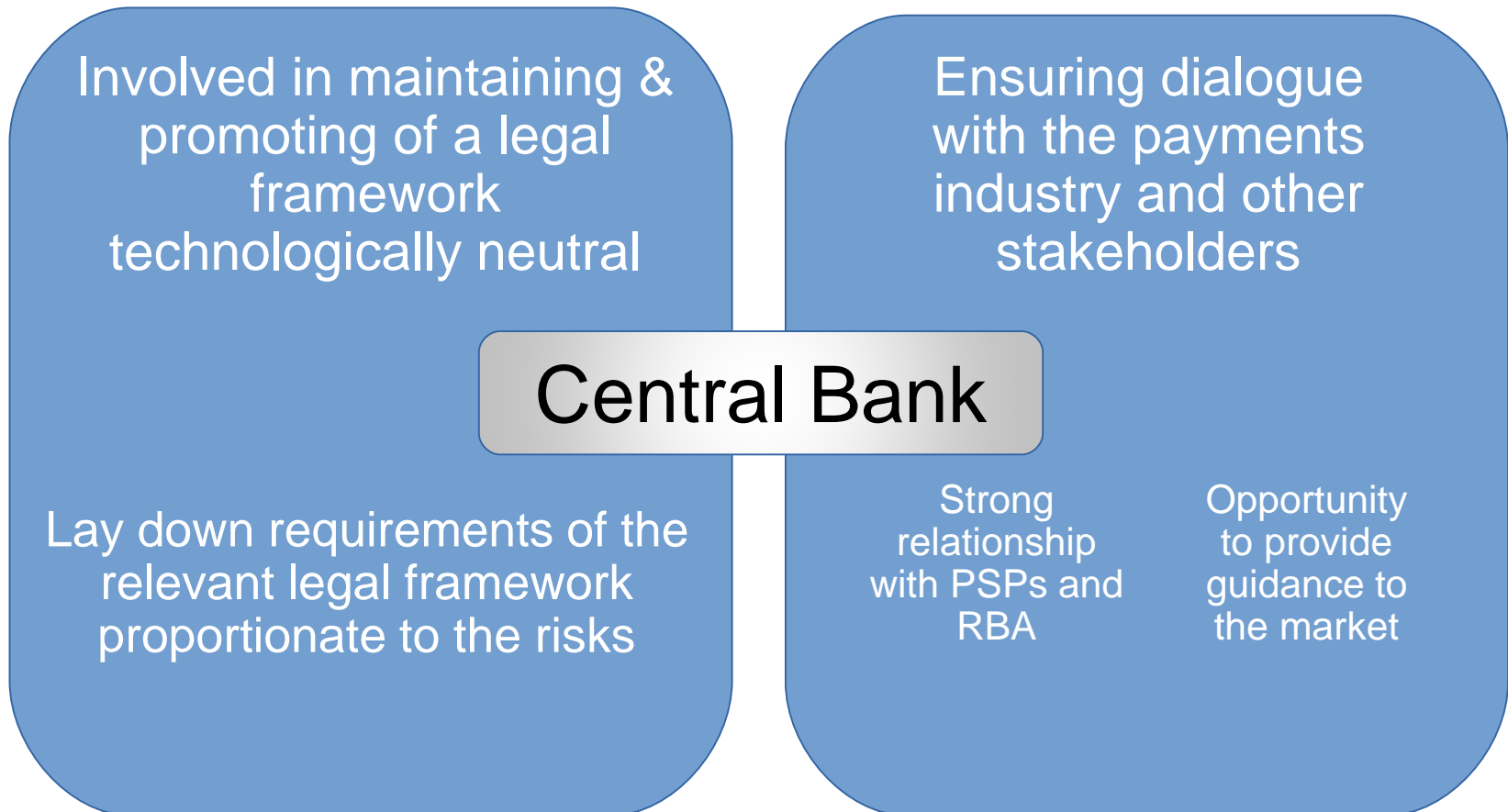
## Responsibilities of CB

Payment systems/instruments oversight

CB involvement in operation payment and settlement systems

“Catalyst” role

Central bank role in payments market  
“Catalyst” role



# New legal framework and central bank involvement

## **MIF Regulation - June 8, 2015**

### **Main objectives**

- encourage lower prices for payments
  - addresses the problem of widely varying collectively agreed inter-bank fees regarding card and card based transactions; establishes a cap of interchange fees related to debit card transactions (0.2%) and credit card transactions (0.3%)
  - addresses rules limiting retailers' possibilities to steer consumers to using cards with lower fees - enhancing market transparency on fees
- promote card payments - increasing level of acceptance - many small merchants which did not accept payments by cards in the past (costs) will step in business
- increase competition between PSPs – fostering cross border acquiring – facilitated by the imposition of the same maximum level on domestic and cross-border interchange fees & prohibition of the territorial licensing

### **Involvement of NBR**

NBR one of the competent authorities & Consumer Protection Authority ensure the compliance with the regulation

# New legal framework and central bank involvement

**PSD 2** – adopted in November 2015 – enter into force in 2018

## **New legal requirements**

- Widen the scope of PSD 1 - open the European payments market to the new players
  - PSPs–intend offer AIS and/or PIS should obtain a license – CA
- Extend the scope to all (not just MS) currencies and includes transactions with third countries when only one PSP - EEA
- Introduce common and enhanced security requirements in order to authenticate the user of a payment service – security is important for user acceptance
  - PSPs should apply strong customer authentication (SCA) for all electronic payments & other circumstances which may imply an increased risk of fraud

## **Involvement of NBR**

NBR one of the competent authorities & Consumer Protection Authority ensure the compliance with new directive' provisions.

NBR - the requirements related to PSPs authorization, payments security and PSPs access to the payment systems

# New legal framework and central bank involvement

## **SEPA End-Date Regulation** – into force since 2014

**Objective** - stimulating the achievement of an efficient and harmonised framework for payments in SEPA

- to ensure that PSPs and PSUs migrate to pan European credit transfers and direct debits subject to the same conditions and requirements

### Key changes

- **Introduce end-date** - 1 Feb.2014 / **31 Oct 2016** as deadlines by which existing national CT&DD schemes replaced SCT and SDD
- **The ISO 20022 XML** standard is to be used for message formats in the interbank space and for/by certain PSUs when sending or receiving payments in files
- **Business Identifier Code (BIC)** - the requirement for the PSU to provide the BIC for the initiation of a payment transaction will be removed
- **Technical interoperability** between payment systems by using standards developed by international or European standardization bodies
- **Europe-wide reachability** for PSPs reachable for credit transfer and direct debit services at national level



# New legal framework and central bank involvement

## **31 oct 2016**

1. Reachability obligations for PSPs in non-Eurozone MS offering payment services denominated in euro
2. End-date for migration to pan-European payment schemes for euro payments in non-Eurozone MS
3. Interoperability requirements for PS in non-Eurozone MS

## **Involvement of NBR**

NBR – sole competent authority – ensure compliance with the Regulation

Ensure dialogue with the payments industry to provide guidance and a smoothly migration of PSPs to SEPA



Thank you for attention!