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**FINANS
DANMARK**

Finance Denmark's response to the Commissions consultation on the review of the revised Payment Services Di- rective (PSD2)

Hørings svar

25. maj 2022
Dok: FIDA-1232191906-47122-v1
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Finance Denmark welcomes the opportunity to comment on the Commissions consultation on the review of the revised Payment Services Directive (PSD2).

Generally, Finance Denmark acknowledges that the Commission is set to review PSD2 and assess to which extent the Directive achieved its objectives. When doing so, it needs to be taken into account, that the full impact and benefits of PSD2 hasn't been seen yet, which can make it difficult to review PSD2 at this point in time.

Finance Denmark has the following high-level remarks concerning the review:

- The European payments market is rapidly changing in these years, with the introduction of new innovative solutions developed by both traditional bank and new market players. This is, among other things, due to legislative initiatives like PSD2 and the concept of open banking/finance, which enables both collaboration between players and increases competition. Finance Denmark welcomes these initiatives as they ensure continued innovation of financial services and strengthens the development of digital solutions to the benefit of both consumers and businesses.
- But the development is also market driven, and we note that payment services in the EU are functioning, and the market is competitive, innovative and end-users have access to a variety of payment instruments and channels.

- If the review leads to a PSD3 proposal, it is therefore important to ensure that the scope reflects the actual market developments, the different market actors that are active in the payments market and addresses real end user needs.
- The level of security for the consumer have improved with PSD2. A study conducted by the Danish Financial Authority in 2021 shows a decrease in the fraud online with payment cards after the introduction. The proportion of cases where a payment card is misused online has dropped to about a third compared to the first half of 2020.
- We do however currently see a move towards manipulating customers, i.e., via investment and love scams and authorized push payment fraud (APP). As fraud trends are constantly changing, mitigation of fraud cannot be a single layered approach and other fraud preventive measures other than SCA should therefore be prioritized as well.
- We note that PSD2 is complex legislation, which has given rise to complications for both banks, third parties and other market players when transforming the legislative requirements into well-functioning API's and strong customer authentication solutions. Some of the complexity has been due to uncertainties on what constitutes the regulatory perimeter and the multiple clarifications issued by authorities that have moved the goalpost in terms of implementation. The needs to be taken into account when assessing the effects.
- PSD2 gave a right to third party providers to access payments accounts for free. Establishing an open bank is costly and therefore there must be an opportunity for a business model where open data provides new earning opportunities also for the banks. Any future data sharing initiative should be based on a more balanced framework with a fair distribution of value and risk and the opportunity to monetize the services of all market participants.
- It should be assessed whether the prescriptive approach of PSD2 has led to the best market and consumer outcomes and whether it is compatible with the swift evolution in the digital world, not only related to the changing technologies but due to the speed of change in user's behaviors and even quicker in fraudsters modus operandi. For instance, PSD2 prescribed measures has obliged PSPs to replace or add certain security measures to those previously in place, often more friendly and evenly effective, increasing friction during the authentication process, only for compliance purpose.

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- Finally, the interplay between PSD2 and other EU policies and legislation needs to be assessed thoroughly. This also applies for ongoing proposals like the revision of eIDAS. As an example, we have experienced a lack of alignment and consistency on data sharing between PSD2 and GDPR. The lack of guidance on how to balance the AMLD's requirements with PSD2's rule on payment institutions access to accounts maintained with a credit institution has also given rise to problems in practice.

Finance Denmark is available for further dialogue, and we will share our full response to the targeted consultation, when it has been submitted in July.

Med venlig hilsen

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