
Contact

- Website [NOREA Kennisgroep Betalingsverkeer](#)
- Twitteraccount [@PaymentFriends](#)

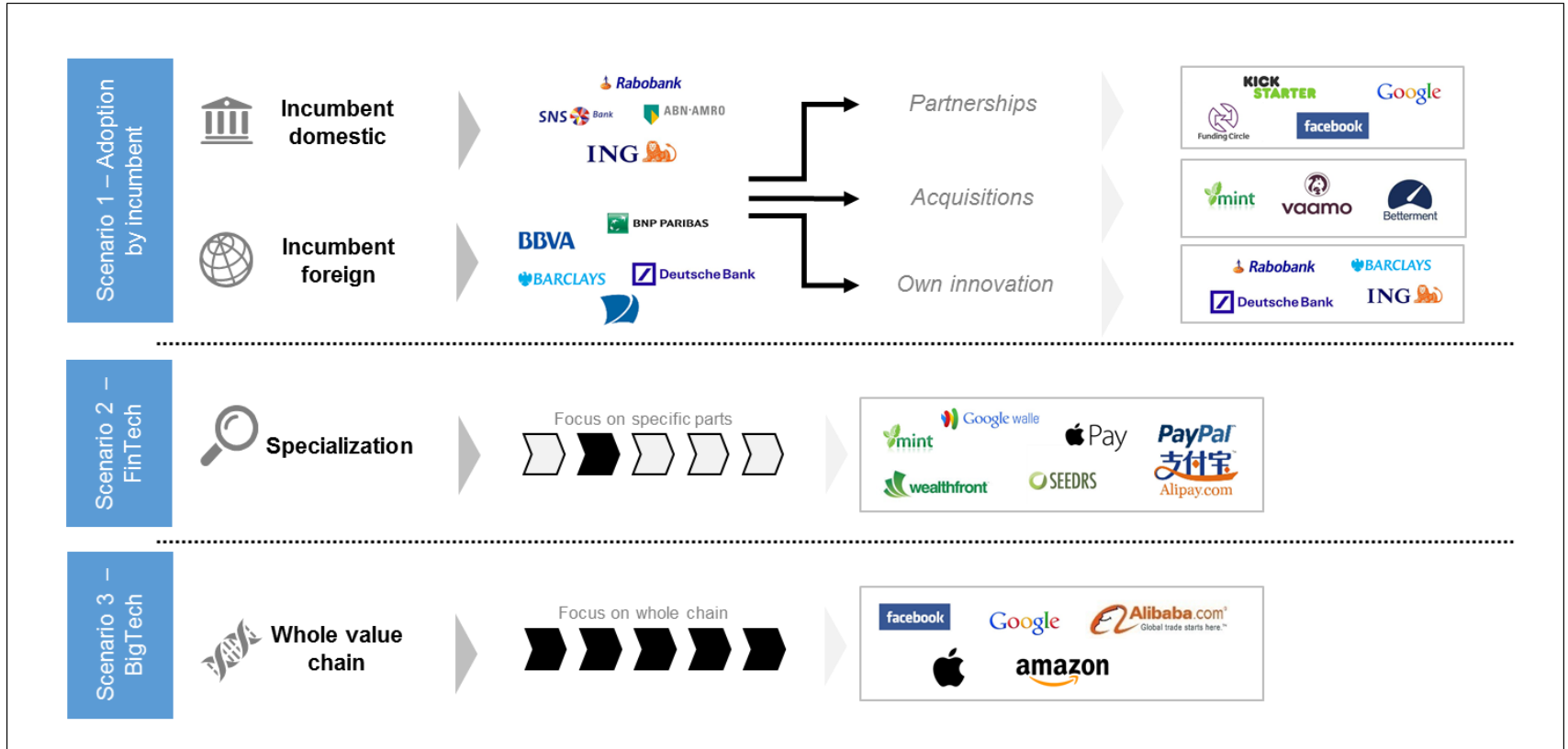


Betalingsverkeer en PSD2
Ontwikkelingen in het betaallandschap
NOREA webinar
8 oktober 2020

Erus Schuurman
Hans Koster

1.3 Developments in the payments sector

Looking forward: three scenarios



Which scenarios are possible?

Scenario 1 –
Incumbent

Global: Incumbents pick up pace adopting FinTech through acquisition/partnering

- ING/Scotiabank/Santander partnership with Kabbage
- BBVA (minority) acquisitions of Simple, Atom, and Holvi
- Ping An China controlling share in P2P-lender Lufax #11 global list



Scenario 2 –
FinTech

Global: Thousands FinTech startups founded in past years, boosted by VC money

- FinTech startups have comparative advantages and disadvantages
- Strengths: innovative, agile, built from scratch, scalable, for next generation, etc.
- Challenges: regulation / risk management new, costly customer acquisition



Scenario 3 –
BigTech

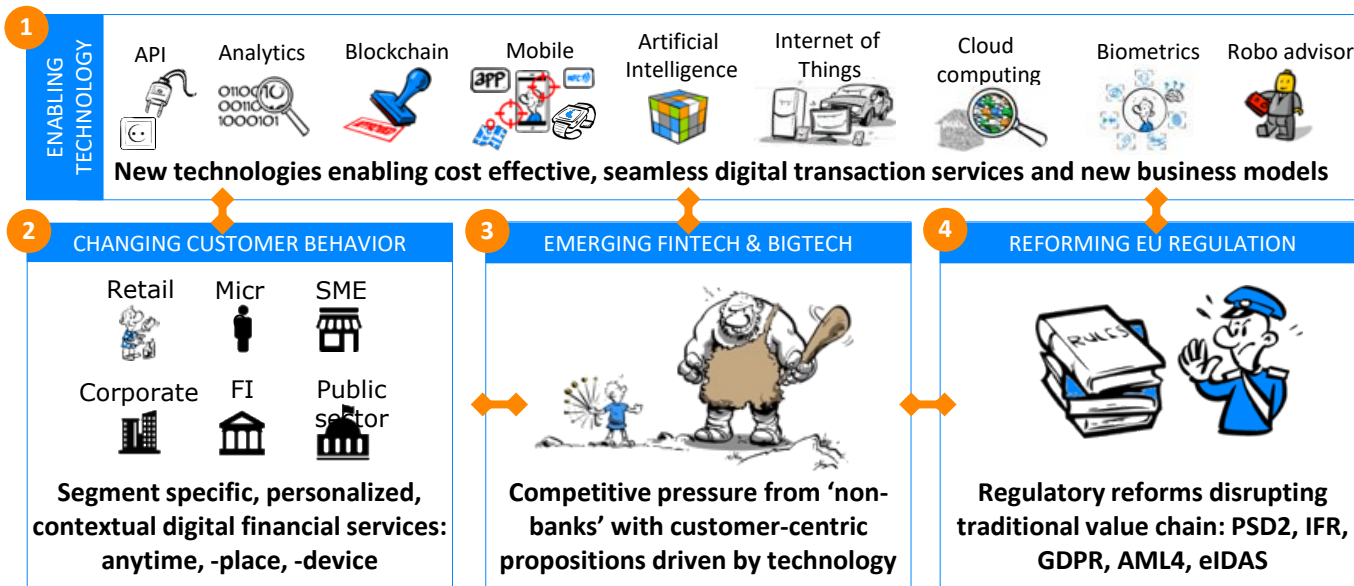
Asia: BigTech already dominating large parts of financial services

- Alibaba Alipay: 450 million active users, 175 million transaction per day
- Alibaba Yu'E Bao Fund: 260 million active users, \$100bn assets under management
- Alibaba/Ping an ZhongAn P&C insurance: >370 million policyholders
- Tencent WeChat payments: 700 million active users, 2nd in mobile payments after Alipay



1.5 Developments in the payments sector

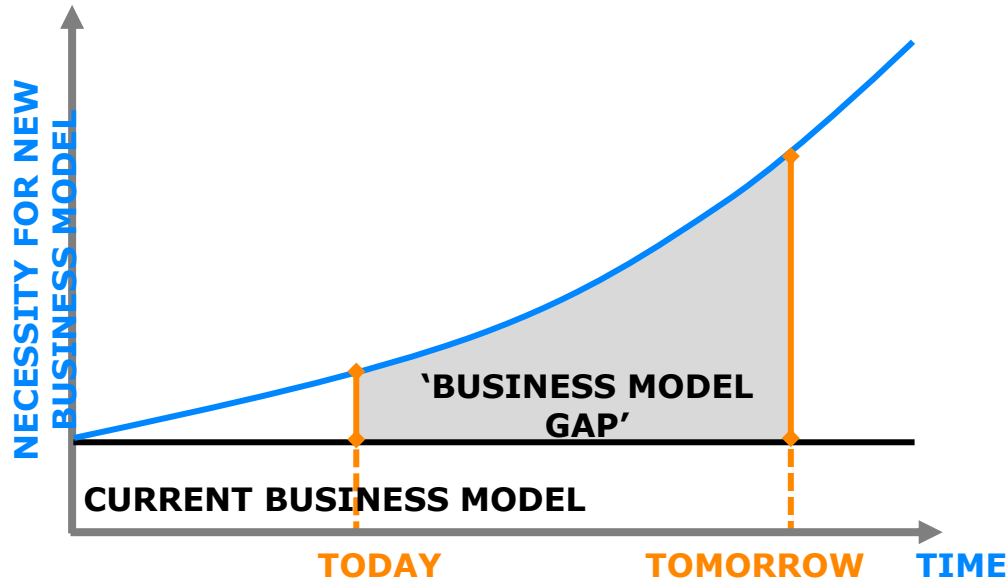
Four innovation drivers are challenging financial services towards 2020...



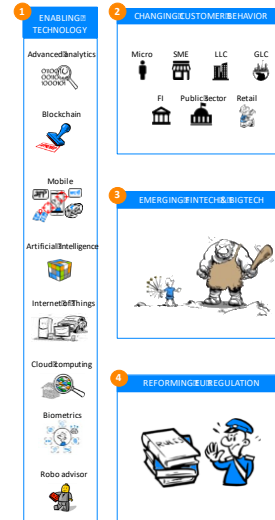
Source: Innopay analysis

1.6 Developments in the payments sector

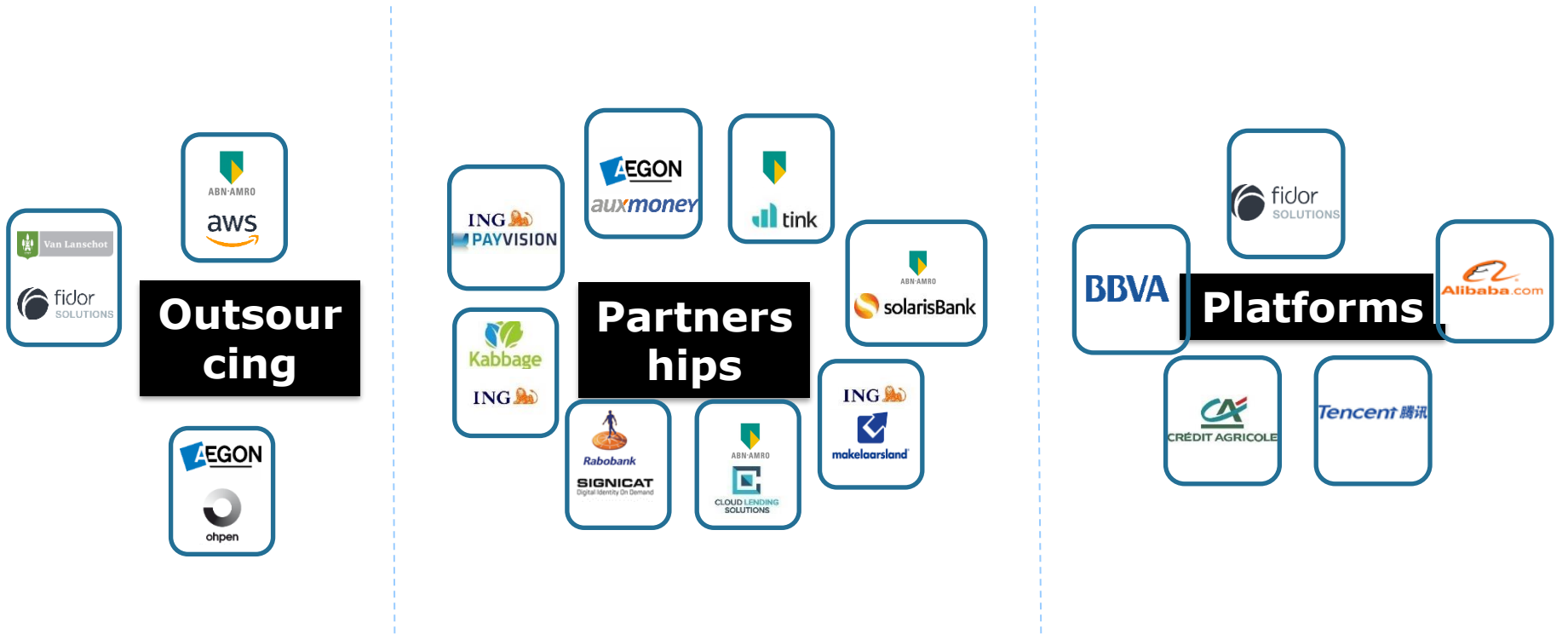
...Pushing service providers to re-think their business model to safeguard future relevance



Source: Innopay analysis



Examples



Developments – Bigtech companies entering the retail payments market

- Google
 - Apple
 - Facebook
 - Amazon
-
- Alibaba, Alipay
 - Tencent (WeChat Pay)

Traditional banks and payment institutions

- ▶ Banks
- ▶ Outsourcing
- ▶ Technology



Bigtech companies in retail payments?

- ▶ Big tech
 - ▶ Outsourcing
 - ▶ Banks and payment institutions
- ?



Three important drivers for open banking



**Technological
developments**



**Changing consumer
behaviour**



Law and regulation

Open banking, access beyond PSD2





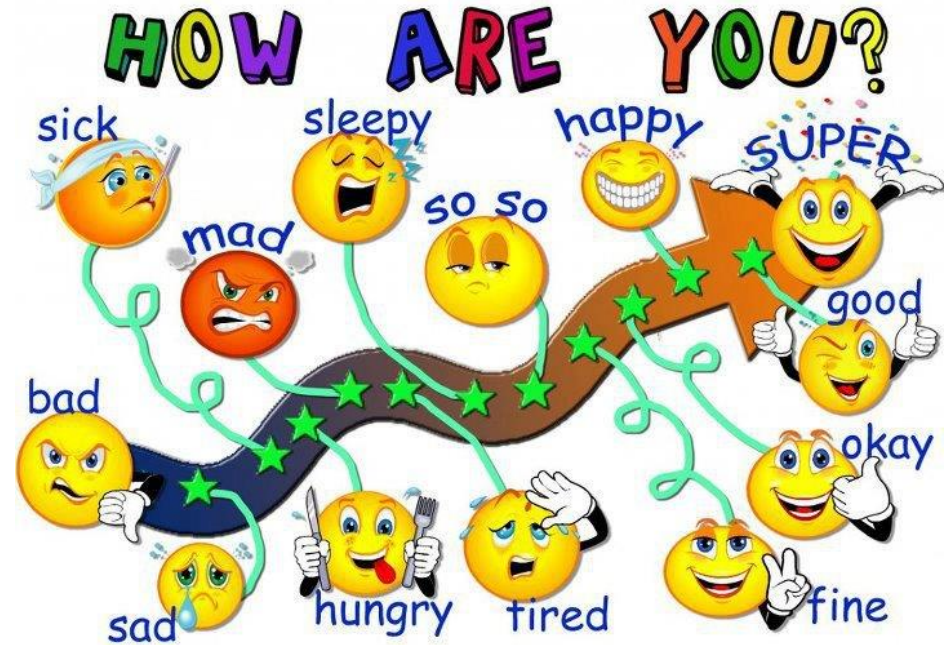
PSD2

from regulatory banking framework to the specification of audit activities

Opening questions

Is PSD2 an opportunity or a threat for you?

Could you fulfil the required PSD2 audit responsibilities?



PSD2 – The Big Picture

Key changes



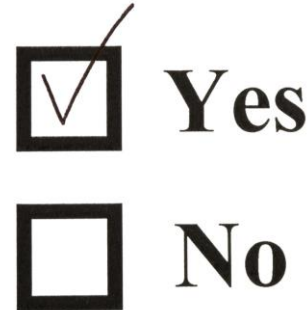
The Directive of the EU – The following definitions apply (article 4)

- ▶ (17) ‘account servicing payment service provider’ means a payment service provider providing and maintaining a payment account for a payer;
- ▶ (15) ‘payment initiation service’ means a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider;
- ▶ payment service, payment transaction, payer, payee, payment account, payment order, payment initiation service provider



Consent

- ▶ (chapter 2, article 64) Consent to execute a payment transaction or a series of payment transactions shall be given in the form agreed between the payer and the payment service provider.
- ▶ Consent to execute a payment transaction may also be given via the payee or the payment initiation service provider.
- ▶ In the absence of consent, a payment transaction shall be considered to be unauthorised.



Article 3 - Review of the security measures

- ▶ 1. The implementation of the security measures shall be documented, periodically tested, evaluated and audited in accordance with the applicable legal framework of the payment service provider by auditors with expertise in IT security and payments and operationally independent within or from the payment service provider.
- ▶ 2. The period between the audits referred to in paragraph 1 shall be determined taking into account the relevant accounting and statutory audit framework applicable to the payment service provider. (note; except article 18 'exemption' is applicable)
- ▶ 3. This audit shall present an evaluation and report on the compliance of the payment service provider's security measures with the requirements set out in this Regulation. The entire report shall be made available to competent authorities upon their request.





And now we that know this...how can we audit the PSD2 beast?

Recommendations

Different audits

Which audits in which phase?

- Project Management audit on the PSD2 Programme
- Pre- and post implementation audits
- Exemption and screen scraping
- Regulatory technical standards for strong customer authentication and common and secure open standards of communication
- Audits on PSD2 central and local Solutions



PSD2 Landscape



API Gateway

API platform

API security

Consent database

PSD2 shared services

Payment Initiation Services (PIS)

Account Information Services (AIS)

Confirmation Availability of Funds (CAF)

Local Delivery

Back-end systems

Local login

PSD2 services

NOREA/NVB/Betaalvereniging Consultation paper

- ▶ During several meetings in April – June 2019 representatives of NOREA, Betaalvereniging, Nederlandse Vereniging van Banken (NVB) and several Dutch Banks discussed the required audit approach for PSD2.
- ▶ In this consultation paper you find our conclusions and recommendations.
- ▶ The goal of this consultation paper is to gather feedback which will be used for further improvement of a proposed audit approach for PSD2.

Recommendations

- ▶ Recommendation 1: The auditor should frequently (at least yearly) make a risk assessment of the PSD2 environment.
- ▶ Recommendation 2: The auditor will use the standard control matrix PSD2 (see Annex) for risk assessment and planning purposes. Underlying idea of using the control matrix PSD2 is that the potential large amount of required PSD2 audit activities is executed in the most efficient and effective way.
- ▶ Recommendation 3: The auditor yearly will make an overview of the audit activities performed and audit results based on the Control matrix PSD2 structure.
- ▶ See separate attachment Control matrix PSD2_meeting 17 June.

Control matrix PSD2

- ▶ Control matrix fields to be filled in by the auditor during the PSD2 audit are:
 - As part of the planning phase:
 - Application landscape
 - Residual risk
 - Coverage Type, 6 defined types: 'Low risk, no audit', 2LoD, Continuous Business Monitoring, Re-use of other audit results, Sample based, 3 yearly
 - As part of the audit execution and reporting phase:
 - Comply or Explain
 - Audit activities performed
 - Audit result

DIRECTIVES

DIRECTIVE (EU) 2015/2366 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 25 November 2015
on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and
2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC
(Text with EEA relevance)



