



Malta Bankers' Association

PAYMENT SERVICES DIRECTIVE 2 TO BE IMPLEMENTED IN JANUARY 2018

Towards safer and more competitive electronic payments

The EU's Payment Services Directive 2 (PSD2) will come into force on 13 January 2018. This new Directive regulates all providers of electronic payment services within the European Economic Area (EEA), and is an update of the previous PSD1, which applied since 2009. In an initiative to inform the general public about the main themes of this Directive, the Malta Bankers Association (MBA) has distributed a mail shot to all households in Malta and Gozo.

Commenting about this Directive MBA's Secretary General, James Bonello said that, "the updated Directive is designed to make electronic payments safer, increase consumer protection, and foster innovation and greater competition. In our mailshot, we tried to give a concise overview of the rights and obligations of consumers and electronic payment services providers. "

The MBA's leaflet explains the main changes that this Directive will bring with it. The first important change is that apart from banks, other non-bank payment providers now come within the scope of the Directive. These new payment providers, known as Third Party Payment (TPP) providers, do not hold customer payment accounts, as banks do. However, they can initiate a payment from a customer's payment account held with a bank, after seeking the customer's consent to do so. They can also provide a customer with an aggregated view of the customer's payment accounts held with different banks (always, of course, with the customer's consent). This will bring about greater competition in the payments market, giving customers further opportunities to choose the best providers and services.

PSD2 also aims at reducing the risk of fraud for electronic transactions, and enhancing the protection of customers' financial data, by mandating stronger and more secure means of customer authentication. These improved security measures are to be applied by all market players, including the newly regulated third party payment service providers. In line with these measures, all local cards with magnetic stripe will be phased out and replaced with Chip and PIN debit cards.

In the case of unauthorised transactions related to lost, stolen or misappropriation of a payment instrument, PSD2 now reduces the payer's liability from EUR 150 to EUR 50, except where he/she acted fraudulently or with gross negligence.

Currently, consumers enjoy a 13 month refund right for unauthorised transactions. This is now being extended to include also payments originating via a third party. Moreover, such refund must now be credited by the bank to the customer's account by the end of the next business day, without prejudice to the outcome of pending investigations.

Any complaints lodged by a customer in relation to an alleged infringement of PSD2 has to be replied to by the bank within 15 business days. This timeframe may be extended to 35 business days should the delay for providing a reply be beyond the control of the bank.

Where both the payer and the payee of a bank transfer are located in an EEA country, the 'SHA' (shared) charge type will invariably apply. This means that the payer will pay the fee charged by his bank, while the payee will pay the fee charged by his bank.

PSD2 will also have an impact on the value dates which banks apply to funds deposited into a payment account. For transactions denominated in EEA currencies, banks have to apply the same value date as that on which the funds were received.

PSD2 mandates that banks should provide monthly and annual statements, free of charge, to the account holder in paper or electronic form. Furthermore, upon termination of a payment account, the bank is also obliged to provide the account holder, free of charge, with the latest annual statement, as well as an interim statement covering the period from the last date of the annual statement until the date of termination.

As can be seen, therefore, the revised Directive expands the scope of services offered by Payment Services Providers, and seeks to make electronic payment instruments and transactions more efficient, safer, cheaper and faster, both for the payers and the payees. This has been possible thanks to the significant technological developments that have affected the payments landscape over the last few years, and that have been embraced by banks and other operators in the industry to the benefit of all concerned.

James Bonello
Secretary General

30 November 2017