



Frequently Asked Questions on Payment Services Directive 2 and Open Banking

Why are PSD2 and Open Banking important?

PSD2 is an important step towards a Digital Single Market in Europe, which aims to make the EU's single market fit for the digital age. The new measures will also ensure that all PSPs active in the EU are subject to supervision and appropriate rules. There will be wide-reaching implications for a range of parties including banks, other PSPs, FinTechs and customers.

UK Finance anticipates that the changes under PSD2 and Open Banking will result in the development of products and services that allow

customers to optimise the use of their account and transaction data. The value-added services which could result could easily go beyond payments, financial services and e-commerce.

The changes could help open up new markets and encourage new market entrants, some of whom will offer services that will assist people who are currently financially excluded. There are a whole host of opportunities that it may not be possible to fully anticipate which could hugely benefit customers.

What kind of services could be provided?

It is impossible to list all of the potential services that could be available to customers but examples could include:

- Enabling a customer to shop online without the need for a payment card such as a debit or credit card by initiating a payment directly from their bank account.
- Providing customers with a consolidated view of their accounts held with other providers or offering tools, which help them to analyse transactions and spending patterns. This could help customers rationalise their spending or help them save their money more effectively.

- Allowing a firm to analyse a customer's financial data to carry out an affordability check when applying for a mortgage or loan.
- Helping small businesses seeking credit with an alternative provider to find a better deal and to help with their accountancy.

For all of these scenarios, the customer will always need to give their explicit consent and will have to specifically use one of these services for it to work.

How do I use these services?

To use these services, you will be asked to give consent to your bank or another provider to access your financial data or to make payments on your behalf. In this way you will be required to specifically give your explicit consent to use these services and will therefore need to opt-in by using one of these services.

- One way you will be able to provide your consent is by logging into your online banking account. Your financial information can then be shared with other providers via secure channels.

- Some services may involve you sharing your online banking login details and giving your consent to the provider whose services you've chosen to use.

You should make sure you are confident the organisation you share your information with are who they say they are.

These services require your account to be accessible online. If you have not previously chosen to use online banking services you may need to do so before you will be able to use the services provided by these other firms.

How do I know these services are safe?

You can check whether a service you're thinking of using is safe by asking the provider for more details and confirming that they are approved by the Financial Conduct Authority or another EU regulator.

If you don't know who you are talking to, or there is reason to suspect that the provider is not who

they claim to be, don't disclose your banking security credentials, or other personal or financial information.

You can find more information on staying safe against fraud through UK Finance's Take Five [campaign here](#).

What happens if I see something unusual on my account?

As happens today, if you do encounter any type of unauthorised activity or payments you don't recognise on your account, speak to your account provider as soon as possible.

If your account provider identifies any problems, they may deny another firm access to your account, which would result in you being unable to use the service.

Is my data protected?

If you share account data with a company or service, it's their responsibility to protect it. You should make sure you understand how a company or service plans to use your data.

If you don't know who you are talking to, or there is reason to suspect that the provider is not who they claim to be, don't disclose your banking security details, or other personal or financial information.

Fraudsters will often try to impersonate somebody we trust so it's important to understand the difference between a legitimate request to share your account information for a service you've chosen to use and an unexpected request.

You can find more information on staying safe against fraud through UK Finance's Take Five [campaign here](#).

Can I opt out of using these services?

Your account data cannot be shared with another party unless you agree to it and give your explicit consent. You therefore do not have to use one of these new services. In other words, you will have to specifically use one of these services for it to work so there is no need to opt out.

If you do choose to use these services, as with any new service it is very important that you read the terms and conditions to understand exactly what information the service will be accessing and importantly, how they will use that information.

What is PSD2?

The Second Payment Services Directive (PSD2) is a fundamental piece of payments related legislation in Europe, which will apply from 13 January 2018 except for some linked rules around strong customer authentication and communication which will run to a different timetable.

PSD2 has recently been updated to reflect how payment services and banking has developed in the last few years, for example in response to advances in technology, to ensure that customers remain protected.

Some of the biggest changes are to do with new types of online services available to customers. These services will be offered by appropriately regulated firms and not necessarily the same firm that provides a customer's account (e.g. bank, building society or credit card provider).

PSD2 makes it clear that customers have a right to use what are termed Payment Initiation Service Providers (PISPs) and Account Information Service Providers (AISPs) where the payment account is accessible online and where the customer has given their explicit consent.

These changes reflect the market growth in e-commerce activities and use of internet and mobile payments as well as the rise of new technological developments and a trend towards customers having relationships with multiple account providers, allowing customers share their data easily and securely. This will make internet and mobile payments easier and help customers to manage their accounts and make better comparisons of deals giving the customer the opportunity to find the best products for them.

PSD2 also provides the legislative and regulatory foundation for [Open Banking](#).

What is Open Banking?

The nine largest banks in the UK are implementing [Open Banking through the Open Banking Implementation Entity \(OBIE\)](#). This was mandated by the Competition and Markets Authority (CMA) when it published the final report for its [retail banking Market Investigation](#) which included a requirement for the nine largest current account providers to produce what's called an open 'Application Programming Interface, or API' in the UK.

Further information [can be found here](#), the final report [can also be found here](#).

The Open Banking Implementation Entity and the nine named banks are focussed on delivery for January 2018 and enhancing the APIs following this. This is the first collaborative implementation of Open APIs seen across Europe.

Open Banking will enable companies to give more accurate personal financial guidance, tailored to customers circumstances and delivered securely and confidentially.

Open Banking will use APIs (Application Programming Interfaces) to share customer information securely.

Companies will be able to use open banking APIs, based on a customer's explicit consent, to see transaction information to tell the customer what they might save when considering the current account best suited or to initiate a payment in an online environment.

More information can be found here: <https://www.openbanking.org.uk/about-us/>

What are Account Information Services (AIS)?

Account information services (AIS) reflect the rise of new technological developments and a trend towards customers having relationships with multiple account providers. AIS will allow customers to share their financial data with authorised third parties (based on their explicit consent) to help customers manage their accounts in a better, more informed manner and make better comparisons of deals.

This could help to assist in the switching of accounts, to show a better reflection of customer affordability of financial products, to help customers save money or to make more informed decisions on their purchasing.

What are Payment Initiation Services (PIS)?

Payment initiation services (PIS) reflect the market growth in e-commerce activities and use of internet and mobile payments. In the UK we are very familiar with the use of cards, however payment initiation services allow customers to initiate payments straight from their bank accounts.

Ultimately, this is improving customer choice, convenience and competition in the market.

There are a number of potential benefits for customers, but also for merchants in terms of increased certainty, the use of instant payments, a greater reach of customers and cost efficiencies; for example by allowing a merchant to integrate a payment initiation service provided into its online checkout process to enable it to offer the option of online credit transfers as an alternative to card payments.

What is an Application Programming Interface (API)?

API technology is the accepted norm for secure data-sharing and embedding functionality in an online environment.

The use of APIs is widespread and today there are more than 14,000 public APIs available. Alternative technologies for sharing data exist, but are less robust and less secure than APIs.

Why are APIs important?

Our view is that the market can best achieve the aims of open banking and PSD2 through the use of open APIs (Application Programming Interfaces). Essentially, these specify how software should interact.

Overall our view is that the interaction between customers, payment initiation services, account

information services and their account provider as described in PSD2 is most effectively achieved via an open API infrastructure.

An API approach also enables a customer-driven experience. The customer is in control of what can and cannot be shared with a third party, as the API is consent and permission-driven.

Will things change again?

The new law will apply in the UK and the rest of Europe on 13 January 2018. However, we expect additional rules that are currently under development to apply in 2019, which may further change how you share your data or initiate a

payment. One such change will be an increase in the security process to log into online and mobile banking. Further changes will be communicated nearer the time.

Will customers be able to use Open Banking on 13 January 2018?

The open banking technology (using APIs for access to personal and SME current accounts) will go live on 13 January in a managed roll-out.

For a six week period until the end of February 2018 the new technology will be tested by bank and third party provider staff in a live environment.