FUTURE
OF EUROPEAN FINTECH

Future of European Fintech Calls on European Banks, Institutions and the API Evaluation Group to Ensure Bank APIs under PSD2 Have the Necessary Functionalities and Performance

Future of European Fintech (FoEF), consisting of 74 European fintechs, challenger banks and fintech associations, notes that the final Regulatory Technical Standards on strong customer authentication and common and secure communication under PSD2 (the RTS) allow banks the possibility to be exempted by their National Competent Authority from having to accommodate licensed Third Party Payment Services Providers (TPP) to access accounts via the so called fallback option in case of malfunction of the dedicated interface (API). **This is indeed a novel approach - we are not aware of any other case when new competitors in an industry have been obliged to rely on a specific API controlled by the incumbents.**

Europe has the opportunity to build the world's most sophisticated API-enabled financial services sector. The European fintech industry shares and wants to contribute to this vision but the realisation of it is fully dependent on banks developing APIs that have the necessary functionalities, availability and performance. We sincerely hope that banks will take on the challenge and develop the best possible APIs, allowing themselves, as well as fintechs to build innovative products and services to the benefit of European consumers and businesses.

However we also recognise there is a real risk that banks for competition reasons rather than developing as good APIs as possible, will want to minimise the functionalities and information available in the API. As such, in order for the objectives of PSD2 to be realised, a heavy responsibility falls on the European Institutions to ensure that any API offered by banks has the adequate functionalities and performance, and works in practice.

The Future of European Fintech Alliance notes that the "API Evaluation Group", an industry stakeholder group where inter alia the European Commission, the European Banking Authority and the European Central Bank have been given observer seats, has organised itself with the aim of providing market guidance to Competent Authorities ahead of the decision on whether banks' APIs fulfill the requirements necessary for granting the banks an exemption from accommodating the fallback-option.

In order to provide concrete input on the market needs and expectations, the Future of European Fintech Alliance has identified what it believes to be the necessary key criteria that banks' APIs must meet. All the Alliance's members have been given the opportunity to suggest and comment on these criteria.

As such, the Future of European Fintech Alliance calls on the European Institutions, Competent

Authorities, banks and all participants of the API Evaluation Group to ensure that APIs developed and offered by banks meet the criteria outlined in Annex A to this document.

The Future of European Fintech Alliance also endorses the TPP members of the API Evaluation Group; Bankin, Klarna, PPRO and Trustly, as representatives of our interests in the European fintech and TPP sector.

ANNEX A: KEY API REQUIREMENTS

The Future of European Fintech Alliance has identified the following necessary criteria for APIs under PSD2.

The list contains both "high-level" requirements which have already been endorsed by the Euro Retail Payments Board Working Group on payment initiation services ("ERPB WG on PIS") and more detailed requirements which were not discussed in the ERPB WG on PIS but which are very relevant for the proper functioning of an API and as such need to be explicitly endorsed.

Authentication

Requirement	Rationale
• TPPs shall be enabled by ASPSP to rely on the same and all authentication methods offered by the ASPSP to the PSU directly, including in the embedded scenario (requirement has already been endorsed by ERPB WG on PIS)	• Article 30(2) RTS on SCA & CSC • Prevents user access discrimination depending on the access channel • User experience and convenience
• TPPs shall be enabled to offer a "pure" PIS product requiring one-time strong customer authentication (SCA) only; a) PISP communicates to ASPSP IBAN of PSU's payment account to debit, the amount and the payee's account details, b) ASPSP requests PSU to perform SCA (dynamically linked to amount and payee details), c) After successful SCA and subject to sufficient account balance on the account to be debited, the ASPSP initiates the credit transfer and communicates this to the PISP (requirement for API to support only PIS, only AIS or both AIS and PIS has already been endorsed by ERPB WG on PIS)	• User experience and convenience • Minimisation of data sharing for pure payment initiation services
• API must not require the PSU to be redirected to the ASPSP interface as any part of the journey. If any credentials are transmitted they are transmitted via the TPP (requirement has already been endorsed by ERPB WG on PIS)	• Article 30(2), 32(3) RTS on SCA & CSC • User experience and convenience • Allows TPP to improve the customer journey and adapt the product for different devices and environments

Requirement	Rationale
• API shall enable TPPs to, based on one log-in/ SCA by the PSU, offer PIS and AIS in a combined session, allowing the PSU to see inter alia its available payment accounts and balances and initiate a transfer if needed (requirement has already been endorsed by ERPB WG on PIS)	• User experience and convenience • Customer journey and current practices observed • PSU possibility to select from which account to pay, including in different currencies, minimising FX-fees

Information

Requirement	Rationale
• For PIS, API shall upon first SCA by the PSU provide TPP the PSU's bank account numbers, balances, name, personal/social security number (if applicable), address and date and place of birth • For PIS, API shall also provide the execution-related information necessary for the provision of PIS. This has to include, at least, either the confirmation of the payment in a real-time environment, or in a batch environment, the "available balance", consisting of (i) the account balance, (ii) any overdraft limit, and (iii) any pending/scheduled transactions (the "What" as specified and endorsed in the ERPB WG on PIS)	• Anti-Money Laundering and Counter Financing of Terrorism controls and transparency of payment chain (AML4) • Transaction monitoring (Art. 2 RTS), by linking payments processed from different bank accounts belonging to the same individual • Compliance with Wire Transfer Regulation (EU) 2015/847 ("WTR") when PISP also acts as intermediary or payee PSP • Fraud prevention • Prevent discrimination • Possibility for PISP to provide confirmation to merchant on settled funds • Mitigates costly fraud
• API shall support all types of payments available (including faster payments, foreign payments, e-invoice, direct debits etc)	• User experience and convenience • Prevent discrimination

Requirement	Rationale

• For AIS, API shall provide AISPs with the information necessary to provide AIS. This should be the same information related to payment accounts that has been made available by the ASPSP to the PSU or has been used to market a banking service to the PSU when logging into online banking or any other consumer facing interface such as banking or budgeting apps or mobileweb directly, including inter alia all accounts balances and historical statements, with the same historical depth, 24 months at the minimum, dates, label and details for transactions, credit balances, next reimbursement, interest rates, investments, fees exchange rate (if multi-currency) etc.
 	
• API shall provide, for each payment account, at minimum:
  • account number or IBAN (in clear form, not aliased and not tokenized)
  • account type
  • balance
  • funds available (can be greater or lower than balance)
  • currency
  • account name (product name)
  • account opening date
  • a list of account co-owners, specifically:
  • whether the specific account owner is an organisation (company, association, etc.) or a physical person and whether that bank account is a joint account
  • full name
  • full address
  • government ID number
  • tax ID
  • phone number
  • email
 	
• API shall provide, for each transaction, at minimum:
  • transaction date
  • booking date
  • amount
  • balance (after transaction)
  • currency
  • IBAN of the second party to the transaction (for all incoming and outcoming transfers)
	• User experience and convenience
	• Prevent discrimination
	• Effective controller-to-controller data sharing in accordance with the right to data portability under GDPR Article 20(2)
	• Article 29 Working Party (“WP29”) call for cooperation between industry stakeholders and trade associations to deliver the requirements of the right to data portability (WP29 Guidelines on the right to data portability)

Requirement	Rationale
• second party to the transaction (for all transactions having the second party, including card payments) • subject (title, description) • type of transaction as defined by bank (card payment, incoming transfer, bank fee, interests, etc.) • MCC code (for card payments) • Credit card and similar accounts shall be visible in the API. Transactions processed on a credit card should be visible on the API at least as early as they are visible on the ASPSP direct access, which may be up to 30 days before the transaction value date. • Non payment accounts access should also be considered, including transaction history for products such as mortgages, credit cards, investment products, allowing controller-to-controller data sharing in accordance with the right to data portability under GDPR.	
• API shall provide access to the list of trusted beneficiaries with details (including at least full IBAN and label) • API shall allow adding or removing a trusted beneficiary • API should allow for the creation of recurring payments such as the one ASPSP offer today via the customer-facing interfaces	• User experience and convenience • Prevent discrimination
• API should allow access to more than 90 days of transaction history with one SCA in the customer journey	• User experience and convenience

Performance

Requirement	Rationale
• API should have the same level of availability and performance (uptime, speed, response times) as APIs used by the ASPSPs vis-a-vis its own customers, typically the mobile bank app API if available (requirement has already been endorsed by ERPB WG on PIS)	• User experience and convenience

Requirement	Rationale
• API shall not allow for an initiated payment to be cancelled prior to execution	• User experience and convenience • Minimisation of data sharing for pure payment initiation services
• API must not require the PSU to be redirected to the ASPSP interface as any part of the journey. If any credentials are transmitted they are transmitted via the TPP (requirement has already been endorsed by ERPB WG on PIS)	• Possibility for PISP to provide confirmation to merchant on settled funds • Mitigates costly fraud • Article 80(2) PSD2
• API shall ensure ASPSP applies the same SCA exemptions when the API is used as when the PSU interacts directly with the ASPSP or an entity with which the ASPSP has a contractual relationship.	• User experience and convenience

Consent management

Requirement	Rationale
• Consent is given by the PSU to the TPP; consent does not have to be given additionally by the PSU to the ASPSP. The API must not require additional checks of the consent given by the customer to licensed TPPs.	• User experience and convenience • The TPP is subject to the same data protection legislation as the ASPSP • Article 66 PSD2 • Article 32(3) RTS on SCA & CSC
• The API must offer a list of all payment accounts available to the PSU for the TPP to manage the consent directly with the PSU. The PSU must not be expected to type or paste the account numbers to designate them to the TPP.	• Level playing field
• API should not disconnect AISPs data access every 90 days asking for a PSU SCA managed by ASPSP as it makes it impossible for the AISPs to provide features like alerts on balances and transactions while it is still possible on ASPSP interfaces. • AISPs should be able to initiate and manage PSU SCAs on its own interfaces every 90 days when PSU connects to AISP interfaces. In such case, 90 days counting system for SCA initiation should be reset to 0.	• Level playing field

Requirement	Rationale
• Every 90 days, the PSU SCA counting system should be mutualized between ASPSP and TPP. That means if a PSU SCA is done whether on ASPSP or TPP interfaces, 90 days counting system is reset to 0 days.	

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About the “Future of European Fintech” Alliance

Future of European Fintech brings together European fintech companies and associations that are seeking fair regulation of their services under the Payment Services Directive (PSD2). In relation to the provisions how fintechs communicate with banks on behalf of the consumer, we strongly believe that the contingency solution of a “fallback” mechanism is crucial for innovative Fintechs to survive. We therefore engage in this industry-wide and important effort to safeguard the future of European Fintechs. We do it for the benefit of all European consumers, for continued growth and innovation in e-commerce and for continued European leadership in this field.

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