PSD3/PSR Key Notes

1. **Harmonized EU-wide rules, ending regulatory fragmentation:**

   PSD3 replaces the E-Money Directive and consolidates rules for payment and e-money institutions, ensuring consistent application across all EU member states, and unlike PSD2, which allowed national variations, PSD3 (and the accompanying Payment Services Regulation, PSR) will be directly applicable, eliminating regulatory arbitrage and loopholes.

   My take: This is a game-changer for cross-border operations. Harmonization will lower barriers for FinTechs and banks alike, but it also means no more hiding behind local interpretations - everyone must meet the same high standards.

2. **Stronger fraud prevention:**

   Mandatory IBAN-name (aka name-number check, NNCs) verification for all credit transfers to combat fraud, and extended refund rights for fraud victims, with PSPs bearing more liability.

   My take: While these measures are long overdue, they will increase operational costs for PSPs, especially smaller players. For my clients, this means investing in real-time fraud detection and customer education, not just ticking regulatory boxes.

3. **Enhanced consumer protection:**

   Clearer rules on FX rates, settlement times, and ATM charges, improved transparency in account statements and dispute resolution, and stronger authentication protocols for online and card payments.

   My take: PSD2's SCA already reduced fraud, but PSD3 goes further by standardizing user experiences and reducing hidden fees. For consumers, this is a win. For businesses, it's a wake-up call: transparency is no longer optional, because regulators won't tolerate ambiguity, unlike now.

4. **Open Banking 2.0:**

   Standardized, high-performance APIs to remove open banking obstacles would be mandatory, where customers gain more control over their payment data. Non-bank PSPs will get better access to payment systems and bank accounts.

   My take: PSD2's open banking was revolutionary but unevenly implemented, and PSD3's mandated API standards will level the playing field, but banks must stop dragging their feet on data sharing. They didn't wanted to do it themselves - now the regulator will make them do so!

5. **Operational resilience:**

   Detailed business continuity plans and regular stress testing for PSPs, and enhanced cybersecurity measures to handle disruptions are becoming necessary

   My take: This is where PSD3 raises the bar highest. From my experience in non-financial risk, I know that resilience isn't just about tech, it's more about managing it. PSPs will need to integrate risk management into their DNA, not treat it as an afterthought. This is also where I expect most of the actual work.

6. **Instant payments:**

   PSD3 mandates instant payments, aligning with the EU's Instant Payments Regulation (IPR).

   My take: Instant payments will reshape liquidity management, fraud detection, and customer expectations. For my clients in the region and beyond, this means reengineering payment flows, not just for speed, but for real-time risk monitoring.

7. **Unified licensing:**

   PSD3 merges e-money and payment institution rules, simplifying licensing but raising capital and safeguarding requirements.

   My take: This is a double-edged sword. Simpler licensing will attract more players, but higher capital requirements could squeeze out smaller FinTechs. My advice? Partner with infrastructure providers to share the burden and then partner some more.

8. **Tighter rules for Marketplaces:**

   Commercial agent exemption is tightened, bringing more platforms under PSD3's scope.

   My take: Marketplaces can no longer fly under the radar. If you're facilitating payments, you're now a regulated entity. This will increase compliance costs but also boost trust in digital commerce.

9. **Crypto assets:**

   PSD3 extends rules to crypto payment services, including e-money tokens, and aligns with MiCA Regulation.

   My take: This is huge for crypto-native banks. The EU is finally recognizing crypto as part of the payments ecosystem, but compliance will be complex. Expect more collaboration between traditional banks and CASPs.