Revised Payments Legislative Package:

Payment Services Directive (PSD3) and Payment Services Regulation (PSR)

September 2023

What is the Revised Payments Legislative Package?

In response to the fast growth of the payment services market, the European Commission issued a Revised Payments Legislative Package.

This seeks to ensure the EU's financial sector is fit for purpose and capable of adapting to the ongoing digital transformation, and the risks and opportunities it presents – in particular for consumers.

The package comprises a draft version of the Payment Services Directive (PSD3) and a Payment Services Regulation (PSR). This package will replace the PSD2 and the Electronic Money Directive.

PSD3 impacts on Payment Service Providers and E-Money Institutions

The proposed PSD3 aims to strengthen user protection and confidence in payments, improve the competitiveness of open banking, harmonize enforcement and implementation across EU Member States, and improve access to payment systems and bank accounts for payment service providers.

This paper outlines the key changes to licensing and general requirements that PSD3 proposes in the following areas:

1. Payment Services Scope
2. Licensing Requirements
3. Capital Requirements
4. Safeguarding

1. Payment Services Scope

Apart from the consolidation of some of the payment services outlined in Annex I of PSD2, the proposed PSD3 brings no fundamental changes to the in-scope payment services. The table below maps the payment services under Annex I PSD2 to Annex I PSD3.

Annex 1, PSD2	Annex 1, PSD3	Changes
1. Services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account.	1. Services enabling cash to be placed on and/or withdrawn from a payment account.	Combines payment services #1 and 2 of PSD2
2. Services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account.	1. Services enabling cash to be placed on and/or withdrawn from a payment account.	Combines payment services #1 and 2 of PSD2
3. Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider: (a) execution of direct debits, including one-off direct debits; (b) execution of payment transactions through a payment card or a similar device; (c) execution of credit transfers, including standing orders.	2. Execution of payment transactions, including transfers of funds from and to a payment account, including where the funds are covered by a credit line with the user's payment service provider or with another payment service provider	Combines payment services #3 and 4 of PSD2
4. Execution of payment transactions where the funds are covered by a credit line for a payment service user: (a) execution of direct debits, including one-off direct debits; (b) execution of payment transactions through a payment card or a similar device; (c) execution of credit transfers, including standing orders.		
5. Issuing payment instruments and/or acquiring payment transactions.	3. Issuing of payment instruments. 4. Acquiring of payment transactions.	Splits payment service #5 of PSD2 into 2 parts
6. Money remittance.	5. Money remittance.	No changes
7. Payment initiation services	6. Payment initiation services	No changes
8. Account information services	7. Account information services	No changes

The proposed PSD3 incorporates e-money requirements under its scope, e-money was previously regulated separately under the "Directive 2009/110/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions" or the "European Communities Electronic Money Regulations 2011" in Ireland ("the E-money Regulation").

2. Licensing requirements (Authorisation)

The procedure for application for authoriation and control of shareholding are mostly unchanged from PSD2, except for the following additional requirements.

- A description of the applicant's arrangements for the use of information and communication technology ("ICT") services;
- A description of the ICT business continuity plans and ICT response and recovery plans, and a description of the relevant testing procedures;
- A description for applicant institutions wishing to enter information-sharing arrangements with other payment service providers for the exchange of payment fraud-related data; and
- A winding-up plan which is a document that aims to enable an applicant to cease its regulated activities and achieve cancellation of its permission with minimal adverse impact on its clients, counterparties or the wider markets.

3. Capital requirements

The proposed PSD3 increases the level of initial capital requirements (except for Payment Initiation Service Providers). The methods for own fund requirements calculation are not changed (including method D for e-money). The table below outlines the changes to initial capital requirements.

Payment services per PSD3 and E-money	Initial Capital requirement per PSD2 and the E-money regulation (EUR)	Initial Capital requirement per PSD3 (EUR)	Delta (EUR)
Services enabling cash to be placed on and/or withdrawn from a payment account.	125,000	150,000	25,000
Execution of payment transactions, including transfers of funds from and to a payment account, including where the funds are covered by a credit line with the user´s payment service provider or with another payment service provider	125,000	150,000	25,000
Issuing of payment instruments.	125,000	150,000	25,000
Acquiring of payment transactions.	125,000	150,000	25,000
Money remittance.	20,000	25,000	5,000
Payment initiation services	50,000	50,000	0
Account information services	Not required	Not required	0
E-money	350,000	400,000	50,000

4. Safeguarding

Safeguarding rules for payment institutions are unchanged except for the introduction of concentration risk requirements. The proposed PSD3 requires payment institutions to avoid concentration risk by employing different safeguarding methods. In particular, payment institutions should endeavour not to safeguard all consumer funds with one credit institution.

Payments Services Regulations (PSR) Impacts

The PSR will address conduct rules and operational requirements concerning the Payment Services Providers (PSPs) and e-money service providers in the EU. Key measures proposed under the PSR are as follows:

1. Stronger protection of payent service users (PSUs) against fraud

The regulation intends to strengthen the protection of PSUs by permitting PSPs to share fraud-related information amongst themselves (subject to certain conditions);

- Improved strong customer authentication rules;
- Increased customer protection measures;
- Extended fraud refund rights of customers;
- Improved cash availability;
- Extended IBAN verification requirements

2. Improved competition amongst PSPs by removing the obstacles to open banking services such as data interfaces and also improving consumer control over their data access permissions.

3. Stronger enforcement and implementation rules of PSR across member states.

4. Access to payment systems and bank accounts for PSPs.

We expect that the finalised PSD3 and PSR will take effect in 2026.

How Grant Thornton can help

Grant Thornton's Financial Services Advisory team has supported many payment services and e-money institutions with understanding, preparing and implementing the new regulatory framework, licence application and regulatory reporting. In particular, our payment services experts have extensive knowledge of the relevant legislation and guidance and the challenges these pose to your firm.

Our experts could help your firm assess its regulatory requirements arising from the new regime and advise on methods to ensure full compliance balanced with your business needs.

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