

Yves Mersch: Reaping the benefits of payment services in a new regulatory environment

Speech by Yves Mersch, Member of the Executive Board of the ECB, at the European Banking Federation's Executive Committee, Frankfurt am Main, 22 February 2018

The revised Payment Services Directive (PSD2) has featured high on the agenda of the payments industry for some time and it will continue to do so. The regulatory technical standards (RTS) on strong customer authentication and common and secure open standards of communication, which have been submitted by the European Commission to the co-legislators for scrutiny, strike a fair balance between the previously diverging views of the different players. They should soon be finalised and then published in the Official Journal.

The new legislative framework will support innovation and competition in retail payments; it will enhance the security of payment transactions and the protection of consumer data. It will introduce major changes to which all payment service providers (PSPs) will have to adapt, and I encourage all PSPs to ensure the highest level of security in their payment services and adopt the requirements of the RTS ahead of time. Banks should also grasp the opportunity to work towards a single and standardised interface to communicate with third-party providers (TPPs) across Europe in a safe and efficient manner. Cooperation with TPPs and users is crucial in this context in order to deliver innovative, efficient and competitive services to the people of Europe.

Let me explain this in more detail.

Security requirements during the transition period

As co-chair of the European Forum on the Security of Retail Payments (SecuRe Pay), the ECB has contributed in particular to the RTS in respect of strong customer authentication and common and secure open standards of communication, the Guidelines on security measures for operational and security risks of payment services and the Guidelines on major incident reporting. It is still involved in the finalisation of the Guidelines on fraud data reporting requirements.

Now that Member States have transposed or are about to transpose the PSD2 and almost all pieces of secondary legislation have been finalised, I think we can say that the European market has taken a major step towards:

- increasing the protection of payment service users against fraud and

- possible abuses of their financial information,
- fostering the resilience of PSPs through harmonised minimum security requirements, and towards
 - enabling competition in the field of payment services by introducing innovative payment services such as payment initiation services, account information services and issuing card-based payment instruments where a confirmation on the availability of funds is requested, as well as clarifying the applicable liability regime for such services.

I am aware that the market still has some concerns and that clarifications with respect to the PSD2, and the RTS in particular, have been requested. The ECB will continue to provide support and expertise in this field as an active observer in the API Evaluation Group, which was recently established by the European Commission.

Beyond this, I am convinced that it is in your particular interest as payment service providers – and in the interest of the security of the retail payments market more generally – to implement the RTS and other related PSD2 requirements as soon as possible. Please do not wait 18 months until you are obliged to comply with the security requirements enshrined in the RTS. Take action soon, as these measures are necessary to mitigate threat scenarios of which you are well aware.

For example, strong customer authentication solutions with dynamic linking of the authorisation to the specific amount and payee will help to prevent man-in-the-middle attacks. Transaction and device monitoring is essential to identify unusual payment patterns and potential fraud cases. It is also essential to start offering well-functioning and reliable access interfaces to the payment service user accounts in order to protect the confidentiality and integrity of your customer information.

It is also paramount that TPPs be authorised or registered as soon as possible, and comply with all legal requirements at an early stage. TPPs need to bear their share of the responsibility by testing and using the access interfaces in a prompt and cooperative fashion, and by contributing constructively to the ongoing efforts aimed at the standardisation of these interfaces.

Standardisation

Standardisation is a basis for the efficient and pan-European provision of payment services in an integrated market. Already shortly after the adoption of PSD2, members of the Euro Retail Payments Board (ERPB) voiced concern that the legal requirements alone would not be sufficient for the provisioning of efficient and integrated pan-European payment initiation services (PIS) and that the industry should agree on common technical, operational and business requirements to complement the legal requirements.

“Business” in this sense means, for instance, the processes for incident handling between PSPs but excludes commercial aspects. “Operational” refers to matters such as a directory service that banks could address 24/7 to check whether a TPP contacting them is indeed still a licensed PSP. “Technical”

relates mainly to the interfaces that banks are obliged to offer according to the PSD2 and the RTS.

The PSD2 and the RTS do not provide technical specifications; they only set high-level requirements. In order to remain technologically neutral, and to cater for potentially different approaches by PSPs, the RTS give the account-servicing PSP the choice of establishing an interface dedicated to payment initiation services or allowing TPPs the use of the online banking interface used by their normal customers.

As a consequence, the approximately 4,000 banks offering SEPA credit transfer could in theory finally try to meet the legal requirements of PSD2 and its RTS by developing and offering a **proprietary** interface. Thus, in a worst-case scenario, any TPP would need to manage 4,000 bespoke IT-projects to connect to each of those banks, thereby clearly going against the spirit of the new directive.

Back in February 2014 in the ECB's legal opinion on the proposed PSD2, we pointed out the importance of working towards a **standardised** European interface to facilitate pan-European PIS. The European Commission has also clearly articulated recently that a standardised interface is their preference, since it provides the technical basis for competition and allows even the smallest players, including start-ups (fintechs), to enter the market with new and innovative services that could be offered with a pan-European reach.

It is a step in the right direction that only a few initiatives are currently developing standardised specifications for Application Programming Interfaces (APIs) and the ERPB already called for close cooperation between these projects. I would even go a step further and encourage these initiatives to join forces and agree on one common technical specification so that the whole of Europe could base their systems upon one or a few technical API standards. This will greatly facilitate market entry, avoid fragmentation and allow for competition at the service level, avoiding obstacles at the technical level.

To promote the uptake of standardised APIs, the European Commission has invited market participants to establish an API Evaluation Group, which has just started its work. I call on the banks to actively, substantively and speedily contribute to the activities of this Group, as its findings are essential for the competent authorities, after consulting the EBA, to grant an exemption from the RTS obligation to offer a fallback solution for the dedicated interface.

I am of course aware that a bank can also be compliant with the RTS by offering an adaptation of its customer online banking interface instead of a **dedicated** interface. Such interfaces would meet the legal requirements, but would not meet the market needs of efficient and pan-European provision of payment initiation services. So I was disappointed when I heard that some banks seem to be seriously considering this option. I strongly encourage them to offer a dedicated interface, based on a standardised specification, as this is one pillar of successful PIS.

Last, but certainly not least, the ERPB extended the mandate of its Working Group on payment initiation services to follow up several common requirements related to operational and business elements, which together are the other pillar of successful PIS. I appreciate the commitment that the banks have shown to this important task and expect to complete the work by June 2018. It is important that the API Evaluation Group and the ERPB Working Group progress in parallel so that PSPs have clarity by the summer and can plan their investments that need to be made. Then they can prepare for a timely implementation of PSD2 and the RTS and be ready for the competition that PSD2 aims to foster.

Conclusion

To conclude, I would strongly encourage European payment service providers to embrace the opportunities the PSD2 provides for competition and innovation, to cooperate in the standardisation of APIs that should preferably result in a single API, and to implement all the security requirements of the new directive and its RTS as soon as possible, even before they become mandatory.

I count on the full commitment of the European Banking Federation and the entire payments industry to work towards safe, efficient and innovative payment services.

[Press release: EU Auditors to examine organic-food control system](#)

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[CE holds engagement sessions with HK deputies to NPC and HK members of CPPCC \(with photos\)](#)

The Chief Executive, Mrs Carrie Lam, accompanied by a number of Secretaries of Departments and Directors of Bureaux, held engagement sessions at Government House yesterday and today (February 21 and 22) to exchange views with Hong Kong deputies to the 12th and 13th National People's Congress (NPC) and the 12th and 13th Hong Kong members of the Chinese People's Political Consultative Conference (CPPCC) on matters of mutual concern, in particular Hong Kong's participation in the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area.

Addressing more than 20 Hong Kong deputies to the NPC and over 60 Hong Kong members of the CPPCC, Mrs Lam said all of them, as leaders from various sectors with profound knowledge on Mainland and Hong Kong affairs, are tasked with the vital responsibility of taking part in national affairs. As the Hong Kong Special Administrative Region (HKSAR) Government attached great importance to their views, she extended yet another round of invitations to all of the Hong Kong deputies to the NPC and Hong Kong members of the CPPCC for a meeting following the Policy Address consultation sessions last July.

Given the integration of Hong Kong into the development of the country, Mrs Lam said the city will take a more active role in participating in the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Bay Area. She expressed the hope that the Hong Kong deputies to the NPC and Hong Kong members of the CPPCC would give their full support to the HKSAR Government to promote Hong Kong's unique advantages including those in its professional services to encourage Mainland enterprises to make use of Hong Kong as the platform to "go global".

Noting that the HKSAR Government is working closely with the Guangdong Provincial Government, the Macao Special Administrative Region Government and the National Development and Reform Commission to draw up the Development Plan for the Guangdong-Hong Kong-Macao Bay Area, including the development of an international innovation and technology centre in the Bay Area, she appealed to the Hong Kong deputies to the NPC and Hong Kong members of the CPPCC to further introduce to the others the development of the Guangdong-Hong Kong-Macao Bay Area, and to support the efforts of the HKSAR Government to advance the flow of people, goods, capital and information within the Bay Area. They were also encouraged to help seek from the Central Government further concrete measures to make it more convenient for the people of Hong Kong to study, work and live in the Bay Area and the rest of the Mainland.



[Immigration figures show chaos and](#)

[confusion over Brexit](#)

Immigration figures announced today show that 47,000 fewer EU nationals came to live in the UK, and that 28,000 EU nationals departed our shores, between the period of September 2016 to September 2017.

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Author:

[Press release: The Destruction of Pharaoh's Host, by John Martin, at risk of leaving the UK](#)

Arts Minister Michael Ellis has placed a temporary export bar on The Destruction of Pharaoh's Host, by the British artist John Martin (1789-1854), to provide an opportunity to keep it in the country.

The watercolour is at risk of being exported from the UK unless a buyer can be found to match the asking price of £1,509,102.

The drawing illustrates the Biblical story (Exodus 14) of Moses releasing the waters of the Red Sea, after they had miraculously parted to allow the fleeing Israelites to cross, thereby drowning the pursuing Egyptian army.

Employing a panoramic composition to magnificent effect, Martin plays with the scale of the figures and the scenery to maximise the epic nature of the drama. The emotional force of this scene of deliverance and retribution is heightened by a blood red sunset below a sweeping black sky.

Although Martin is best known for his spectacular oil paintings and mezzotints (a tonal print technique that was ideally suited to capturing his bold use of light and shade for dramatic effect) illustrating John Milton's Paradise Lost and the Bible, he also created a series of framed 'exhibition watercolours', which in scale and visual impact were intended to compete for attention and patronage with oil paintings.

Martin's mezzotints of Biblical subjects, such as The Destruction of Pharaoh's Host published in 1833, were hugely popular and influential with admirers including Charles Dickens and the Bronte sisters who grew up with them on the walls of their father's parsonage.

Martin's large-scale watercolour treatment of the same subject from three

years later was intended to capitalise on his popular success, and *The Destruction of Pharaoh's Host* demonstrates his bold use of the medium in the eye-catching brightness of the colours, with the tonal range expanded through extensive use of black pigment, bodycolour, and gum arabic.

Martin's artistic reputation did not endure – despite the influence he played in shaping the epic scale and grandeur of Biblical and historical epics in films by directors like Cecil B. DeMille – as his standing suffered from the disapproval of the art critic John Ruskin and the artist's focus later in his life shifted to planning ambitious engineering schemes to deliver clean water and an efficient sewage system to London.

The subsequent and enduring shift in taste away from the use of watercolour for grandiose narrative subjects, allied to a longstanding critical downplaying of the significance of the medium to British art, meant that Martin's stature as a watercolourist was long overlooked, until interest in his work began to revive in the early 1950s.

Martin's importance is now more widely recognised and celebrated, and the ambition, boldness and grandeur of *The Destruction of Pharaoh's Host* exemplifies his unique contribution to British watercolour history.

Arts Minister Michael Ellis said:

This incredibly dramatic picture captures the imaginative and apocalyptic subjects for which Martin is best known.

I hope it can remain in the UK, where it can be admired and studied for many years to come.

The decision to defer the export licence follows a recommendation by the [Reviewing Committee on the Export of Works of Art and Objects of Cultural Interest \(RCEWA\)](#), administered by The Arts Council.

RCEWA member Lowell Libson said:

Working in watercolour played a significant part in Martin's art throughout his career although he is now best remembered for his exhibition works in oil. *The Destruction of Pharaoh's Host* not only demonstrates Martin's mastery of the medium but underlines how he employed it to achieve emotional and dramatic effects of a subtlety which were impossible in his larger scale oil paintings. *The Destruction of Pharaoh's Host* numbers amongst the greatest of Martin's watercolours.

The RCEWA made its recommendation on the grounds of the picture's outstanding significance in the reassessment of John Martin – the most popular artist of his day, dismissed by the art establishment and ignored for almost a century – whose influence on the development of epic, visionary landscape painting,

both in Britain and in America, is now widely acknowledged.

The decision on the export licence application for the picture will be deferred until 21 May. This may be extended until 21 September if a serious intention to raise funds to purchase it is made at the recommended price of £1,509,102.

Organisations or individuals interested in purchasing the picture should contact the RCEWA on 0845 300 6200.

An image of the picture can be downloaded via our [flickr site](#).

ENDS

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Notes to editors

1. Details of the picture are as follows:
Watercolour by John Martin (1789-1854), The Destruction of Pharaoh's Host, signed and dated: 'J. Martin/1836' (lower right). Pencil and watercolour with gum arabic heightened with body colour and with scratching out; 23 x 33 $\frac{3}{4}$ in. (584 x 857 mm).
2. Provenance: (Probably) J.E. Jesse, by 1876; with Agnew's, London; with Leger & Son, London, by September 1954, sold in or after 1958 to George Goyder; Sotheby's, London, 11 July 1991, lot 192, where purchased by private owner (sold for world auction record price for watercolour by this artist £107,800); Christie's, London, 3 July 2012, lot 139 (est. £300,000-500,000, sold for £758,050, also world auction record).
3. The Reviewing Committee on the Export of Works of Art and Objects of Cultural Interest is an independent body, serviced by The Arts Council, which advises the Secretary of State for Digital, Culture, Media and Sport on whether a cultural object, intended for export, is of national importance under specified criteria.
4. The Arts Council champions, develops and invests in artistic and cultural experiences that enrich people's lives. It supports a range of activities across the arts, museums and libraries – from theatre to digital art, reading to dance, music to literature, and crafts to collections. www.artscouncil.org.uk.