

The regulatory agenda continues to evolve and demand action by banks

- The SEPA vision may not be realised for the foreseeable future
- Capital arbitrage by geography is possible – contrary to the stated goals of BASLE III
- KPMG reports increased cost of compliance, management fatigue and MI challenges
- Important compliance dates have slipped – e.g. 100% LCR to 2019
- Some banks are concerned about their ability to compete with new entrants like PayPal

The 2013 payments regulatory agenda is complex and full

- Creating a Payment Services Directive II proposal
- A Regulation on electronic identification and trust services
- FATCA withholding into force from beginning of 2014
- EU 4th Money Laundering Directive proposal published – Feb
- New Directive to prevent the use of the financial system for money laundering and terrorist financing - Feb
- Update to Regulation 1781 - information accompanying transfers of funds to secure "due traceability"
- New rules for payment card interchange fees
- Responding to the revised 'Green Paper'
- US BASLE III Rules still being defined – 2013 deadline moved

PSD II review has been postponed to mid 2013 – September perhaps?

- Review of scope (one leg transactions), Payment Institution (PI) prudential requirements, PI ability to provide credit, passporting, Art 69 (D+1) and Art 75 (liability)
- Refund rules may be examined as well as PSP liabilities

PSD II may introduce some difficult proposals

- Bank accounts are increasingly seen as a 'right'
- Third parties may be given direct access to them using APIs
- The liability provisions will need careful consideration
- DG Competition appears intent on permitting surcharging and to removing the 'honour all cards' rule
- A cap on interchange fees may also be proposed
- Will the ECB's Security of Internet Payments be mandated?

SEPA readiness by 1st February 2014 deadline looks unlikely

- Many countries have not yet declared
- Old payment systems may remain open for 2 years!
- The market is only focusing on minimum compliance

The 'state of the art' is in a different place

- Clearing cycles in some countries are better than 'D+1'
- Technology is significantly more advanced than in 2002

Consumer Rights Directive transposed in UK late 2013

- Retailers can't charge more than payment instrument cost
- Fees must be disclosed and charged before purchase
- Positive opt-ins are required

BASLE III is costly to comply with

- BASLE III increase capital costs and the new liquidity ratio will reduce the value of FI deposits
- Trade Finance liquidity flight risk as banks exit / reallocate
- BCBS 2013 focus is on new calibration for 'op risk' capital

Mark Hale

Head of Payments

+44 7584266784 | mark.hale@kpmg.co.uk